

Kokoomus party gains as Finns shift to right

BY OLLI VIRTANEN IN HELSINKI

FINLAND shifted to the right in parliamentary elections which closed last night, with the Kokoomus conservative party making the strongest gains.

The conservatives won nine extra seats, taking its presence in the 200-strong single-chamber parliament to 53, only three seats short of the Social Democrats, who lost one seat to 56.

The Centre Party, and the three smaller parties in the same grouping - the liberals, the Christian league, and the Swedish People's Party - gained up to eight seats, bringing their collective total to 58, after 90 per cent of the votes were counted. Kokoomus is now almost certain to get into a coalition government after 22 years in opposition. It aims to bring about a three-party coalition, with the Centre Party and the Social Democrats.

The Centre Party favoured this option last night but Mr Kalevi Sorsa, the Social Democratic leader, left his options open.

Finland's communists, who split into two separate parties last year, suffered no severe setbacks as ex-

pected. The more pragmatic majority appear to have held on to their 17 seats, while the pro-Moscow minority lost 6 seats, dropping to only four. This is undoubtedly a blow to Moscow, which has sponsored the small faction, but it is unlikely to play any practical Finnish politics. The Greens gained two seats, taking their total to four overall. The socialist parties lost 7 seats and came down to 77, while non-socialists now have 123 seats.

Mr Sorsa was ready to concede defeat last night and blamed it on "fatigue" of the governing party.

The same happened to the Social Democrats in 1975 after a long stint in government, he said.

Mr Ilkka Suominen, leader of Kokoomus, claiming a clear victory, demanded "high ranking" positions in a future coalition. Mr Paavo Väyrynen, chairman of the Centre Party, said the parties of his grouping now formed the biggest grouping, and was in a key position to help form a government.

The turnout of voters dropped from 81 per cent in 1983 to 74 per cent, largely because of a lack of real issues in the election.

Portuguese church in attack on child labour

By Diana Smith in Lisbon

PORTUGAL'S Roman Catholic church and trade unions have begun a concerted campaign against the use of child labour in the north and north-east, where large families, unemployment and under-employment are endemic.

Grave concern has been expressed by the church, whose social as well as spiritual role is strong in the north, and by union officials. They reckon that thousands of children under or barely over school-leaving age of 14 work full-time for a monthly wage of about 5,500 (\$25) - less than a quarter of the minimum industrial wage - in conditions that often resemble old-style sweatshops.

Church authorities in the diocese of Braga, where tiny enterprises abound, report that girls are often kept stitching clothing or shoes six or seven days a week until midnight. Boys do heavy labour on construction sites or in mechanical workshops.

The common factor seems to be that the enterprises are part of the underground economy, often working from garages or sheds where the entire set-up can be dismantled in minutes if a labour inspector approaches.

The authorities are short of means to handle the problem. The nature of child-exploiting enterprises - unregistered, counting on parents to encourage school-age children to shirk their education and do more than a full day's job, and employers loath to pay the modest national minimum wage - makes it hard to pin down illegal child labour.

Moreover, fines are a risible few thousand escudos when inspectors catch up with offenders. Nevertheless demands for action are growing. There are fears that the problem is on the increase as statutory wages rise and employers' social security requirements grow.

But in an area where adult illiteracy is deep-rooted and generations have scraped by, passively accepting bleak housing and menial jobs because they saw no alternative, or migrating if they had more drive, acceptance of a child's right to education and leisure does not come quickly.

Andriana Ierodiconou reports on the success of the economic stabilisation programme

Athens steers steady course after storms

This year got off to a turbulent start for the Greek economy. January and February brought the worst wave of strikes in the Socialist Government's five and a half year career as left and right wing unions joined forces in protest against a second year of wage austerity.

The Government imposed a virtual freeze on wages at the end of 1985 as the lynchpin of an economic stabilisation programme designed to reduce double digit inflation which was many times the European Community average, and to trim high current account and public sector deficits.

Pay protests were compounded by reaction from Greece's small and medium-sized business enterprises, the backbone of the economy, against value added tax (Vat), introduced in Greece on January 1 after two extensions of the EEC deadline.

The Government succeeded in emerging from the turmoil with its stabilisation programme unscathed but for an adjustment of wages at the lower end of the salary scale, expected to add about Dr 35n to the 1987 state budget.

To emphasise the fact that the Government was prepared to make no further concessions, Mr Andreas Papandreu, the Prime Minister, then carried out one of the most drastic cabinet reshuffles since the Socialists came to power in 1981. Critics of the austerity policy were removed from the cabinet and transferred to the Socialist Party hierarchy.

A number of signals that the administration was now set on a course of liberalising Greece's traditionally tightly regulated

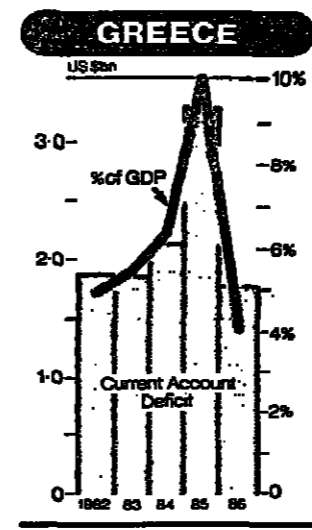
economy then followed. Mr Emmanouil Roumeliotis, the new Minister of Commerce, tabled proposals to dismantle price controls. A committee of state bankers and economists headed by Mr Theodore Karatzas, secretary general of the Economy Ministry, unveiled its own proposals to gradually lift the complex web of regulated interest rates and credit rules straitjacketing the state-dominated banking system.

But the market had hardly had time to become complacent when it was thoroughly unsettled by the Government's surprise announcement that it planned to secure a controlling interest in Greece's largest foreign investment - NAFIC, the international consortium led by Denison Mines in Toronto, developing offshore oil deposits in the North Aegean Sea.

The move was justified by the argument that oil exploration in the sensitive Aegean region, where Greece is locked into a continental shelf dispute with Turkey, must be subject to Greek state control for reasons of security. Many government officials admit privately, however, that the NAFIC decision was both ill-presented and ill-timed, coming as it did on the heels of an open invitation to foreign investors by Mr Papandreu himself at an international economic forum in Davos, Switzerland.

Understandably, Economy Ministry officials - who are reportedly not informed in advance of the NAFIC move - prefer to dwell on the prospects for deregulating the market, as well as the results so far of the 1985 stabilisation measures and the goals for 1987.

They point to a halving of the current account deficit in 1986,



down to \$1.756bn, 4.6 per cent of gross domestic product, from a record \$3.275bn, 10 per cent of GDP, in 1985.

Although critics argue that the improvement was due to external factors such as the fall in oil prices, which saved Greece over \$1bn, government economists say that about half the reduction in the deficit as a percentage of GDP can be traced to the stabilisation programme, which boosted exports and suppressed imports through a 15 per cent devaluation of the drachma followed by a policy of sliding depreciation, a wages standstill and a compulsory import deposit scheme.

The authorities say they are fairly confident of achieving the 1987 current account deficit target of \$1.25bn.

Assuming the target is met, the Bank of Greece hopes to secure extra foreign borrowing

beyond an estimated gross borrowing need of \$1.6bn in order to meet in advance amortisation payments due in the next three years. Without refinancing, according to Bank of Greece figures, Greece faces foreign debt amortisation payments of \$1.5bn this year, which will peak sharply to \$2bn in 1988 and remain at a high \$1.5bn and \$1.85bn in 1989 and 1990 respectively.

They are more anxious over a goal to trim the net public sector borrowing requirement (PSBR) on a cash basis by four percentage points relative to GDP, to 10 per cent of GDP. In 1984 the net PSBR on a cash basis was reduced to about 14 per cent of GDP from 18 per cent of GDP the previous year, although excess spending by public sector corporations led to an overshoot of the credit expansion target of 17 per cent for the public sector, to 20.5 per cent for the year.

The hardest target for 1987 in the authorities' view is that of reducing inflation to 10 per cent from 16.9 per cent in 1986. The target figure is described by government economists as "a cross between what is realistically feasible, and aspirations."

Although the 10 per cent figure allows for a 2 per cent increase in the price index due to Vat, officials say the new tax creates "enormous uncertainty both with regard to prices and consumer behaviour". Inflationary speculation at the end of last year in anticipation of Vat introduction obliged the Government to impose a three month wage freeze in November to avoid exceeding the 16 per cent inflation target for 1986 too greatly.

Perhaps the biggest question mark hanging over the economy, however, concerns the policy to be followed after the end of this year, when the stabilisation programme formally expires.

Both the Economy Ministry and the Prime Minister have indicated that no magical transformation is likely to occur on January 1 1988, allowing for a lifting of all stabilisation measures. "We cannot say, we had stabilisation in 1986 and 1987, and now it's 1988 and we have recovery. That's a childish formulation," Mr Papandreu told a meeting of Social Party cadres in February.

In theory, the Socialists do not have to worry about general elections until June 1989, thus enjoying a margin for extending at least some form of the stabilisation programme into 1988 - a policy economists believe to be essential if the gains made in the previous two years are not to be squandered away.

In practice, however, the domestic political situation has become volatile, with early general elections, possibly next year, no longer to be ruled out, since municipal elections last October in which the Socialists suffered significant losses. The fear is, therefore, that from the end of this year economic policy will become a hostage to political developments, to its detriment. "If you look at public sector spending figures you will see that these skyrocket every general election year in Greece. This Government knows as well as any other that voters are not to be wooed with wage freezes," one observer remarked.

At least 19 killed in Soviet dam disaster

BY PATRICK COCKBURN IN MOSCOW

THE COLLAPSE of a dam in the Soviet central Asian republic of Tajikistan yesterday following very heavy rain has led to the death of 19 people and another 29 are missing according to the Soviet news agency Tass.

The disaster occurred when an avalanche of mud started by torrential rain destroyed a dam at the Saragazan reservoir. Water poured through a hamlet of 53 houses below the reservoir and also destroyed bridges and a section of railway.

In keeping with the new Soviet policy of reporting disasters, Tass immediately gave details of the disaster. It said six badly injured people were brought to hospital and helicopters are searching for the missing.

Tass, in a report from Dzhirgata, some 70 miles southeast of the Tajikistan capital of Dushanbe, said an avalanche of mud destroyed the dam of a reservoir, sending "a water mass" crashing down upon the village of Saragazan. AP reports from Moscow.

"Fifty-three houses, a livestock-breeding farm and a poultry farm were swept away," Tass said. "Bridges and a railroad section were destroyed, communication was disrupted, part of the crops were washed away."

Tents, food and medicine were being rushed to the disaster scene, and senior officials of the republic had arrived to survey rescue and relief efforts.

Call for more reform in Poland

UNEMPLOYMENT in Poland, where the socialist system guarantees every worker a job, is as high in real terms as in the West and costs the economy billions of dollars a year, according to a senior academic economist, Rostek reports from Warsaw.

Professor Josef Kaleta of Wrocław University said in a student magazine interview quoted by the official PAP news agency yesterday that economic reforms should give priority to a return to market mechanisms and competition.

Poland should also follow the ex-

ample of Soviet leader Mikhail Gorbachev and seek Western investment, he added.

Prof Kaleta, who has frequently been an outspoken commentator on the economy, said: "Even though we formally have full employment, we do in fact have unemployment but in a hidden form. I believe that it is not smaller than in leading capitalist countries."

Poland and other Soviet-bloc countries have in the past cited their apparent full employment as a human right denied to those out of

work in Western Europe and the US.

Prof Kaleta said hidden unemployment manifested itself "in the high rate of absence from work, very poor labour efficiency, or the hiring of a vast army of staff for useless administrative jobs."

Although there was no precise estimate of the cost to the economy, Prof Kaleta said that at least half of the \$12.5bn raised in taxes from industry was ploughed back to subsidise loss-making companies.

Kyprianou in Athens for Cyprus peace plan talks

BY ANDRIANA IERODICONOU IN ATHENS

THE PRESIDENT of Cyprus, Mr Spyros Kyprianou, arrived in Athens yesterday for talks with the Greek Government on the latest United Nations effort to breathe life into a moribund peace initiative for the divided eastern Mediterranean island.

UN officials who visited Nicosia last month are understood to have proposed the launching of proximity talks - whereby a UN representative will hold separate, parallel

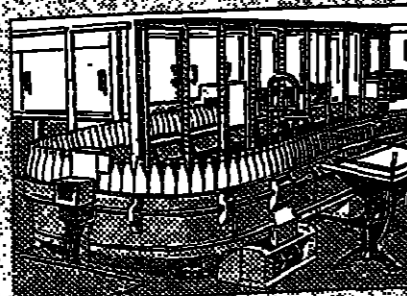
talks with the Greek-Cypriot and Turkish-Cypriot sides, in an effort to draft a mutually acceptable settlement plan.

Mr Javier Perez de Cuellar, the UN secretary general, launched his peace initiative for Cyprus three years ago with the blessing of Washington and London, which are keen to see the Cyprus problem resolved for the sake of an improvement in Greek-Turkish relations.

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AMERICAN NEWS

Canadian dollar
surges to highest
level in 2 years

BY BERNARD SIMON IN TORONTO

FOREIGN investors have helped to drive the Canadian dollar to its highest level in more than two years, in spite of falling domestic interest rates.

The dollar rose above 76 US cents yesterday, a gain of more than 10 per cent since it reached a record low against the US dollar during a foreign currency crisis just over a year ago.

In a break with the experience of the past decade, Ottawa has been able to lower domestic interest rates without putting pressure on the Canadian dollar. Canadian banks lowered their prime lending rate last week by half a point to 8.75 per cent, the lowest level in 18 years.

In addition, the gap between US and Canadian short-term interest rates, normally a crucial determinant of the strength of the Canadian dollar, has narrowed to 150 points, compared to almost 400 during last year's currency crisis.

Mr. Charles Lynch, chief foreign exchange trader at Toronto-Dominion Bank, ascribed some of the recent surge to hedging by corporate treasurers and to buying by Chicago speculators. US subsidies in Canada have almost

completed quarterly purchases of US dollars for remittances to their parent companies.

Rising energy and other commodity prices combined with slower growth in imports are expected to raise Canada's trade surplus to about C\$12bn this year, from C\$9.6bn in 1985.

According to an estimate published yesterday by the Financial Post of Toronto, foreign companies have spent almost C\$4bn on Canadian assets in the past six months, centred on the forestry, energy, drinks and financial service industries.

Mr. Lynch said that investors have also been drawn by the prospect of a successful conclusion to the ten-month talks on a US-Canada free trade agreement. Foreign purchases of Canadian bonds, mainly from Japan, reached almost C\$7bn last year, compared to C\$3.3bn in 1985.

McLeod Young Weir, a Toronto securities firm, expects the dollar's strength to continue well into 1988. Those taking a less optimistic view point out that Canada's inflation rate of 4 per cent is still well above that of the US, by far its biggest trading partner.

Opposition party moves
to consolidate popularity

BY BERNARD SIMON

CANADA'S left-leaning New Democratic Party has made key concessions to Quebec nationalists as part of its efforts to consolidate a recent surge in popularity.

The NDP, which has traditionally supported a strong federal government, decided at a convention in Montreal to recognise Quebec as a unique society in Canada. The party also agreed, if it comes to power, to give Quebec a limited veto over changes in the Canadian constitution and to allow the predominantly French-speaking province to opt out of federal programmes with full financial compensation.

The NDP has only 29 out of 282 seats in the House of Commons. But recent opinion

polls show its popularity at record levels. With the support of almost one in three voters, the NDP is well ahead of the ruling Progressive Conservative Party.

The party, the rump of whose support is among trade unions and on university campuses, appears for the first time to have made significant inroads in Quebec, especially among supporters of the province's nationalistic Parti Quebecois, whose platform also has a social democratic bias.

Support for the NDP has in the past tapered off as elections approached. Its platform includes a number of proposals, which have been too radical for the average Canadian voter, such as pulling Canada out of Nato and nationalising at least one of the big Canadian banks.

Venezuela puts
in troops to
quell city riot

By Joe Mann in Caracas

VENEZUELAN troops and police have taken control of the western city of Merida to quell riots and street disturbances that began last Friday after a student from the University of the Andes was shot.

The student's death provoked a city-wide wave of window smashing, rioting and looting by groups of university students and local youths. At the weekend, bands armed with rocks and clubs attacked police and national guardsmen, burned down a store used by military personnel and set fire to the local headquarters of Democratic Action, the ruling Government party.

The Merida disturbances were the worst seen in Venezuela in recent years. One newspaper suggested that members of a far-left group were trying to encourage greater violence among the rioters.

No firm figures were available on the numbers of individuals hurt or arrested, but damages to homes and businesses in the centre of Merida, a picturesque city in the Venezuelan Andes, were considerable.

Troubled utility
to meet bankers
on loan problem

By Our Caracas Correspondent

TOP executives of La Electricidad de Caracas, a utility responsible for the country's largest private sector foreign debt (\$652m), are meeting with representatives of international banks in New York this week to tell them that the company cannot repay its foreign loans because of conditions imposed by the Venezuelan Government.

Talks between bankers and Mr Francisco Aguerrevere, the president of La Electricidad, and the company's vice president, Mr Luis Jose Diaz Zuloaga, were scheduled to begin today, the company said.

La Electricidad said recent devaluations of the Venezuelan bolivar had increased the company's foreign debt service to the point where it would no longer be able to repay its foreign loans, import equipment required.

The company—viewed by businessmen as one of the most efficient private operations in Latin America—warned earlier this month that it would be forced into bankruptcy by 1990 unless the Government agreed to grant increases in electric power rates.

Oil price fall pushes Peru
trade balance into the red

BY DOREEN GILLESPIE IN LIMA

PERU recorded a \$50m (\$32m) trade deficit last year following a \$1bn year surplus for the past three years. Peru last registered a deficit on the trade balance in 1982.

The turn-around reflects a sharp fall in Peru's exports to \$2.5bn from almost \$3bn in 1985, mainly reflecting a collapse of oil prices at the beginning of last year. Imports rose to \$2.6bn compared with \$1.9bn in 1985.

The increase in imports reflects growing food purchases abroad to cover local shortages and imports of industrial inputs as a result of last year's 8.9 per cent economic growth.

International reserves have fallen by \$440m since last September, and this week the central bank put into effect new regulations forcing importers to obtain foreign exchange licences for all imports of capital goods. Companies cannot begin paperwork for import approval to use the foreign exchange.

Dr Leonel Figueroa, the central bank president said priority was being given to basic food and medicine imports. He said there would not be a foreign exchange shortage and that Peru had enough dollars

for at least seven months of imports.

Dr Figueroa estimated Peru's exports this year would total \$2.5bn and said Peru would continue to limit payments of the foreign debt to 10 per cent of its exports.

Meanwhile Mr Peter Rigen, head of the World Bank mission which has been in Lima for the past week, said the bank had agreed with the Government to disburse an \$80.5m credit line for the city of Lima.

Mr Rigen said a controversial World Bank report, published in the local press last week was only a draft and did not reflect current world bank opinion. The report argued that the Government's economic policies and ambitious project plans through to 1990 were unrealistic and inconsistent. Even if it could raise the funds it would be taking away available resources from private enterprise.

The report singled out a big irrigation project on the coast for particular criticism, and argued that three or four other major government projects should be stopped. Heavier investment should be encouraged in mining and petroleum, it said.

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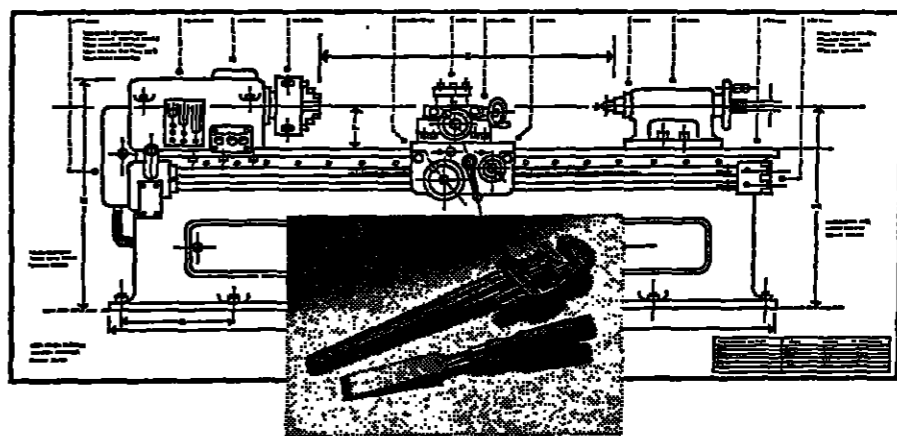
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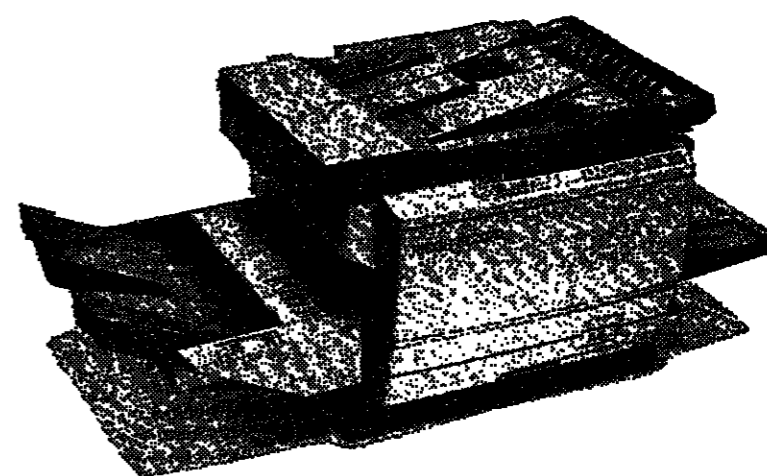
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RICOH

UK NEWS

Spending boom resumes after January setback

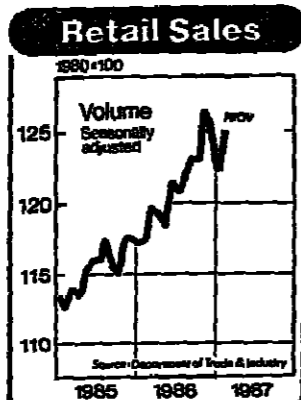
BY JANET BUSH AND LISA WOOD

RETAIL SALES recovered sharply in February from January's weather-depressed levels, providing evidence that Britain's consumer spending boom is still intact.

Provisional Department of Trade and Industry figures yesterday showed that sales volumes rose by 2.2 per cent, seasonally adjusted, after falling by the same amount in January.

DTI officials said the volume of sales remained on an upward trend but were no longer seeing the buoyant growth rate of last summer. Consumer spending is not expected to match last year's substantial growth of around 5 per cent, partly as a result of inflation eating into disposable incomes.

Nevertheless, spending will remain buoyant, growing at around 4 per cent, according to the Chancellor of the Exchequer's Autumn Statement forecast. Real disposable incomes are still rising quite rapidly as wage settlements remain relatively high and should be given a further boost by income tax cuts



widely expected in the budget today.

The DTI officials said that the volume of sales in the three months to February was little changed from that in the previous three months. Given that January's activity was particularly depressed and that the previous three-month period included November's record figures, this showed the durability of the retail boom. Sales in December to

February were 8 per cent higher than the same period a year ago.

The February rise in sales was larger than most independent forecasts and perhaps suggests a more buoyant picture than the Confederation of British Industry/Financial Times distributive trades survey published last week. The survey showed that sales had indeed picked up in February but that the recovery had been, if anything, rather disappointing.

The Retail Consortium, which represents the majority of Britain's retailers, said yesterday sales had been helped by the fact that the February weather had been mild compared with the same month last year and school half-term holidays had fallen in that month.

The consortium said all items seem to benefit, with even spring fashions selling well. The index of retail sales volume (1980=100) was set at a provisional 123.0 in February, the same level as in December, compared with a final 122.3 in January.

Market makers find jobs quickly

By David Lascoll

SCRINGBOUR Vickers, the London-based securities firm owned by Citicorp of New York, moved quickly yesterday to hire market makers from Midland Montagu, which announced on Friday that it is closing down its equity market making operation.

The firm claimed last night that it had secured the services of eight people, with another two under negotiation. This will bring to around 60 the number of market makers employed by Scringboour.

Midland Montagu employed 38 market makers, of whom it expects to retain about 18. The remainder are also expected to seek jobs elsewhere.

Scringboour said yesterday that Mr Fred Pettit, the managing director, would return to Citicorp Investment Bank now that the acquisition and integration of Scringboour was complete. He will be replaced by Mr John Hewitt, a former analyst of the retailing sector, who has been with the group for 24 years.

Mr Hewitt said that Scringboour's market making operation was making money but that high acquisition and development costs meant the overall operation had yet to make a profit.

Messel, the stockbroking firm owned by Shearson Lehman Brothers, said yesterday that it was letting three salesmen go. Mr Jacques Gelardin, chairman of Shearson's European operation, said the company was "upgrading" its activities. It was also reorganising its market making to concentrate on more profitable areas, and this might entail hiring more people.

LANDMARK FOR POST 'BIG BANG' STOCK EXCHANGE

Seaq settles for budget day compromise on late trading

BY TERRY SYLAND

THE LONDON stock market approached its first budget day session since the birth of the new-style electronic trading system with initial enthusiasm, but finally settled for a good old British compromise.

The Seaq (Stock Exchange Automatic Quotations) screens, which theoretically allow trading to continue outside conventional market hours, will stay alive until 7pm tonight, but the market-makers will decide for themselves whether they want to trade.

Seaq officials approached some, but not all the equity market-makers yesterday morning, suggesting that the screens service should be extended today, to allow for a full market response to Mr Lawson's budget speech, due at 3.30 pm. But traders were unenthusiastic, remembering how erratic business used to be on budget days before the big bang.

Late yesterday it was agreed that the screens would remain active until 7pm, but the mandatory quotation period - when market-makers must maintain and support their price quotations - would terminate as usual at 5pm. After that time, market-makers must elect either to trade, in which case their price quotations will be regarded as "firm", and therefore available to all potential customers, or to withdraw from trading, in which case their prices will be marked in red.

This may not satisfy those traders who would prefer to make their decision after 5pm, when the scale of customer interest can be discerned. In the old days, of course, the jobs just didn't answer the telephone if they didn't want to deal, and it appeared last night that many market-makers will elect to stay

open for business, although they may limit the size of bargains in which they are willing to trade. Activity in the consumer stocks is likely if the Chancellor of the Exchequer is generous with personal tax proposals.

In the gilt-edged market, the Bank of England made clear that market-makers will be allowed to suspend trading if they wish, without offending against the Bank's rule that market-makers must maintain continuous two-way markets if they want to stay on the approved list.

In the past, bond dealers have ceased trading as soon as the Chancellor stood up in the House of Commons. Some trading may be seen today, but it won't be aggressive. With budgets, you always need to read the fine print, said a leading market-maker in Government securities.

Bank chief challenges criticism of City profits

By Clive Wolman

MR ROBIN LEIGH-PEMBERTON, governor of the Bank of England, yesterday mounted a stout defence of Britain's financial sector, in particular its involvement in contested takeover bids.

In a speech to a seminar on the City of London and industry organised by the Industrial Society, he responded to criticisms that the City appeared to be making effortless profits and enjoying special privileges, and said he was worried that the profits being made in some markets are inadequate to support the business being done.

Pricing was often too competitive and profit margins unreasonably small on interest and foreign exchange instruments and on conventional banking, he said.

The resources of many financial intermediaries needed to be strengthened to provide a cushion of liquidity and capital to meet unexpected calls.

Last Wednesday, Mr Leigh-Pemberton made an outspoken criticism of opportunistic corporate predators which launched takeover bids and of the City institutions which promoted them. Yesterday, however, the tone of his remarks changed.

He challenged the suggestion that the threat of takeovers put corporate managers under pressure to concentrate on short-term profits at the expense of long-term objectives.

A greater danger, "this is a kind of 'long-termism' on the part of shareholders that might be better described as passivity, inactivity, or waiting for something to turn up, may pass for the opposite of short-termism."

"The fact remains that there are companies that shareholders are reluctant to back unreservedly and without any prospects of immediate return," Mr Leigh-Pemberton said.

"To ask for protection against the threat of unwelcome takeovers is to deny the members of the company the essential rights attaching to their shares: the right to vote, and the right to sell."

Inspection for union-backed college

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT is to set up an inspection into academic freedom at the trade union-backed Ruskin College, Oxford.

This follows as lengthy controversy, over the position of Mr David Selbourne, a lecturer there who faced criticism from colleagues and protests from students over an article he wrote for The Times newspaper during the Wapping dispute. A trade union ban against writing for News International titles was then in force.

The row has centred on the special position of the trade union and labour movement at Ruskin, and traditions of academic freedom.

Mr George Walden, the Higher Education Minister, expressed concern at some of the views of members of the college during a series of discussions with him.

Consequently, the Government has decided to seek an independent assessment. Dr Albert Sloman, Vice-Chancellor of Essex University, has agreed to lead a team of three to carry out an inspection to ascertain

which principles apply to academic freedom, and what means are adopted for ensuring that they are put into practice. They will recommend to the Education Secretary, what principles should in future apply and the means for ensuring that they are practiced.

Powers of inspection apply under existing legislation to organisations which receive government grants. In the current academic year, Ruskin is receiving a recurrent grant of just over £370,000 with a further £385,000 for bursaries.

Share reporting rules relaxed

BY STEPHEN FIDLER

THE STOCK Exchange has relaxed its regulations over the reporting of share bargains in a move designed to make it easier for many member firms to trade in large baskets of shares.

Buying or selling large baskets of stock, known as portfolio trading, is becoming an increasingly important part of the London share markets. Up to £500m of UK shares is estimated to change hands weekly in this way.

Stock exchange rules have previously called for the reporting of

trades in the most marketable grade of shares - so-called alpha stocks - within five minutes of the trade taking place. Trades are normally then displayed on the stock exchange ticker.

Member firms had complained that for large portfolios of shares, such reporting was physically impossible and often made it difficult to execute large trades without adversely affecting share prices.

The stock exchange's new rules allow for delays in reporting such

trades, provided advance notice is given to the exchange's market surveillance section and the portfolios involved contain more than 20 shares.

In new market practice guidelines issued to share traders, the exchange said that no allowance would be made for portfolio trades in which a broker did not take the shares on to its own book, or in the case of so-called "deceased portfolios", where there was no requirement to execute the bargains at a specific time.

Lewis's stores switch to part-time workers

BY DAVID BRINDLE

THE LEWIS'S department store chain, part of the Sears group, plans to shed 600 full-time jobs and create instead about 1,000 part-time positions.

The move, which will coincide with changes in the opening hours of the 10 stores which trade mainly in the north of England, is said by the group to be part of a general trend in retailing towards part-time employment.

Sears said yesterday that Lewis's

had conducted surveys showing that the stores were over-staffed early in the morning, when few customers were present, and understaffed at relatively busy lunchtimes.

As a result, working hours were being amended to fit revised opening hours. From May 5, the stores would trade from 10 am to 5.30 pm on Monday, Tuesday, Wednesday and Friday, from 10 am to 6 pm on Thursday, and from 9.30 am to 6 pm on Saturday.

Some business travellers will change neither hotel nor newspaper.

That's why they are particularly happy to find complimentary copies of the Financial Times at the following hotels in Lyon: Frantel, Grand Hôtel Concorde, des Artistes, Le Roosevelt, Mercure.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

NOTICE TO HOLDERS OF

ANNOMOTO CO., INC.

(Japanese Kohatsu Kaisha)

U.S. \$40,000,000 7% per cent.

Convertible Bonds 1995

(the "1995 Bonds")

and

U.S. \$40,000,000 5% per cent.

Convertible Bonds 1995

(the "1995 Bonds")

and

U.S. \$120,000,000 2% per cent.

Convertible Bonds 1999

(the "1999 Bonds")

For the purpose of the notice of the Board of Directors of the Company, the following are the names of the persons who are entitled to vote at the meeting of the Board of Directors of the Company to be held on March 23, 1987, in Japan, at the rate of 8 new shares for each 100 shares held:

1. On February 27, 1987 the Board of Directors of the Company resolved to make a 2% distribution of shares of its Common Stock to shareholders of record as of March 21, 1987, in Japan, at the rate of 8 new shares for each 100 shares held.

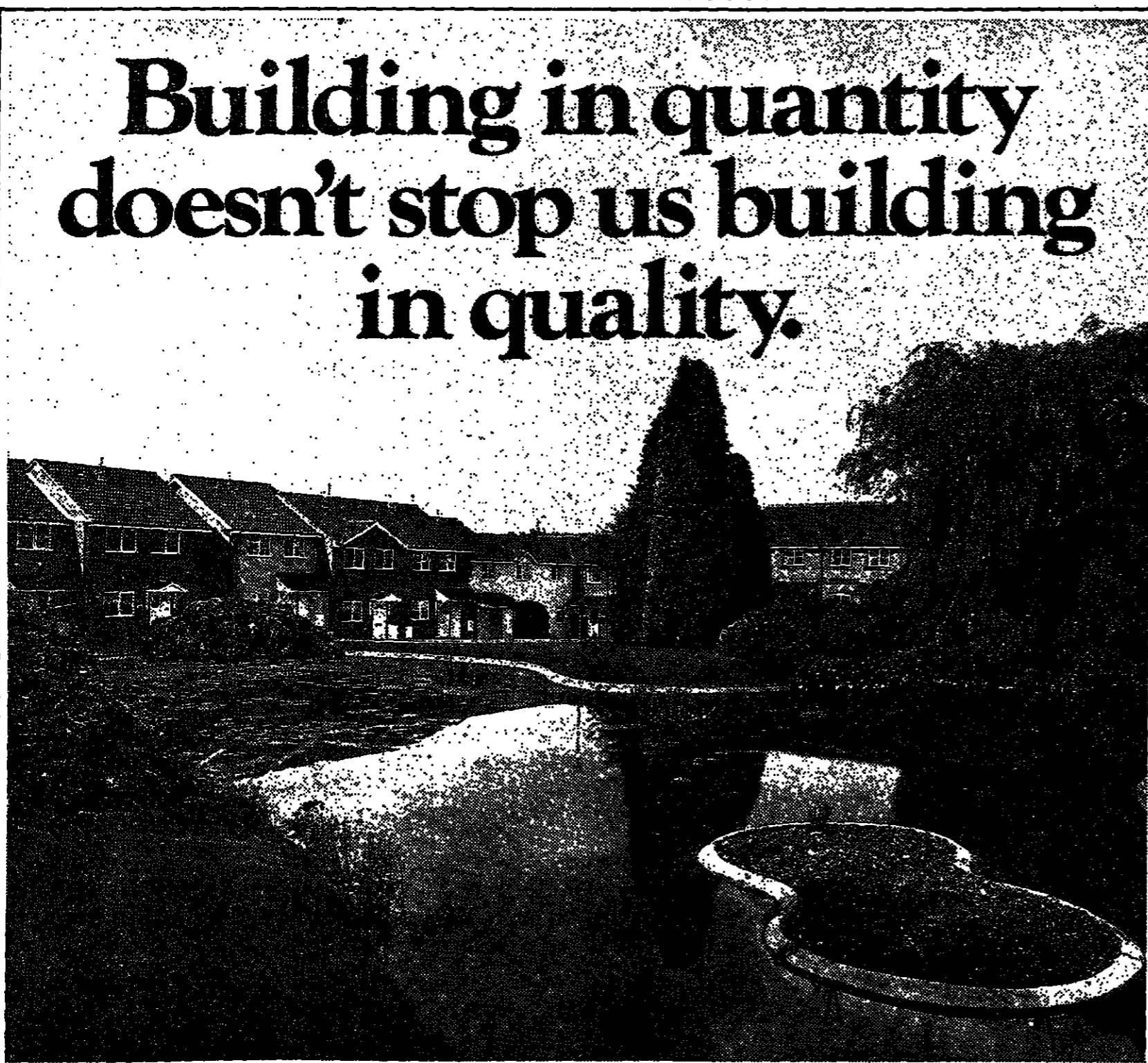
2. Accordingly, the conversion price of the above-mentioned Bonds will be adjusted effective as of April 1, 1987, Japan time. The conversion price in effect prior to such adjustment are Yen 432.50 per share of Common Stock for the 1995 Bonds, Yen 790.70 per share of Common Stock for the 1995 Bonds, and Yen 954.70 per share of Common Stock for the 1999 Bonds. The adjusted conversion price will be Yen 413.36 per share of Common Stock for the 1995 Bonds, Yen 807.50 per share of Common Stock for the 1995 Bonds, and Yen 911.50 per share of Common Stock for the 1999 Bonds.

ANNOMOTO CO., INC.

By The Bank of Tokyo

Trust Corporation as Principal Paying Agent

Dated March 17, 1987



They say success changes people, but it hasn't changed us at Charles Church.

However fast business has grown, it's always been our insistence on the highest standards that has led the way.

It shows in the big things. Like the handcut timber roof on larger houses, and solid internal partition walls, upstairs and down.

It shows in the all-important points of detail, like the choice of cast iron baths and ceramic, not plastic, shower trays.

It shows in the pride that Charles Church people — and nearly a thousand work for us these days — take in the job.

And these days, the job is to build not dozens but hundreds of houses, in over thirty different styles.

Right now, Charles Church are at work on twenty sites throughout Buckinghamshire, Oxfordshire, Berkshire, Surrey, Sussex and Hampshire, with further developments planned in Kent, Bedfordshire and London.

For three years running, we've been voted the top builders in the South of England, and in one of those years, the top builders nationally.

Because from the beginning, Charles Church have built even more than quality homes of character.

We've built a reputation we guard with our lives.



CHARLES CHURCH

Quality Homes of Character

This announcement appears as a matter of record only.



LETINVEST PLC

a subsidiary of

London & Edinburgh Trust PLC

Private Placing
of

**£35 million nominal of
stepped interest first mortgage debenture stock
2012**

and

**£8 million nominal of
cumulative participating preferred shares**

We designed the capital structure, underwrote the placing
and acted as financial adviser to the company.

SAMUEL MONTAGU & CO. LIMITED

114 Old Broad Street, London EC2P 2HY

March, 1987

UK NEWS

Rolls-Royce

Gearing up for a competitive future

WHEN ROLLS-ROYCE, the next Government candidate for privatisation, reports its account for 1986 on Thursday, they are expected to reveal considerable buoyancy, with pre-tax profits up on the 1985 result of \$81m, and significant improvements in both turnover (\$1.8m in 1985) and orders in hand (which stood at \$3.1bn last October 6).

Factors behind this success have been the continued strength of civil engine business, stemming from the re-equipment tide now flowing strongly among the world's airlines, together with a continued high level of military business and a steady growth in industrial and marine activities.

The future in all these areas appears bright. The company's estimate of future world-wide military business up to the end of this century is \$10.5bn, while its estimate of future civil business over the same period is about \$70bn.

Rolls-Royce recognises that competition will be fierce. To some extent this can be offset by international collaboration, which reduces development costs and risks while increasing access to markets. But there will still be some titanic struggles for individual contracts.

The company is well placed to take advantage of market growth. Over the 16 years since the bankruptcy and Government rescue of 1971, it has put together a family of military and civil engines which it believes can hold their own technologically against anything the two US giants, General Electric and Pratt & Whitney can offer.

But although Rolls-Royce has done well in the market for large civil engines, it is still third in the list behind General Electric and Pratt & Whitney, with about 18 per cent of the world market (by value) for "big-thrust" jet engines.

This is largely because the UK company failed in the 1970s to get its RB-211 engine on to the new generation of Airbus then emerging the A-300 and A-310, with the result that a market for several hundred aircraft has been lost to the US companies.

This is now being partially rectified with the new Inter-

national Aero Engines V-2500, in which Rolls-Royce has a 30 per cent share, being offered in the new A-320 Airbus while a development of that engine, the Superfan, is on offer for the new Airbus A-340 long-range jet.

Rolls is also now fighting hard to win a market for its RB-211-524-D4D in the new McDonnell Douglas MD-11 tri-jet.

The company is now also reaping the benefits of its long programme of improving productivity through the application of advanced technology in manufacturing techniques, as well as improved financial planning and control.

This has been matched with continued high spending on research and development, averaging over £220m a year over the past five years, reaching £244m in 1985 against £227m in 1984.

On both sides of the company's business, military and civil, it is now poised to take advantage of technical breakthroughs to win new business.

The military business is based substantially on three major power-plants. These are the RB-199 engine, built as part of the European Turbo-Union consortium for the collaborative Panavia Tornado combat aircraft; the four engine, also collaborative (with Turbomeca of France) for the Anglo-French Jaguar, the Japanese T-2 and F-1 aircraft, and for the UK Hawk trainer (now also being built for the US Goshawk trainer aircraft programme); and the Pegasus vertical take-off engine for the Harrier aircraft for both the RAF, the Royal Navy and the US Marine Corps.

The company points out that the military market is dependent on levels of defence expenditure in the free world. Some areas have prospects for volume growth, but the market is largely geared to the development of successors to existing aircraft and engines.

At the end of 1986, the company had outstanding military order books worth \$582m for the RB-199 engine for the Tornado; \$444m for the Pegasus jump-jet engine for Harriers; and \$68m for the Adour for the Hawk and the US Goshawk trainer programmes.

For the future, the company

is putting much emphasis on the EJ-200 jet engine now being undertaken for the European Fighter Aircraft (EFA) programme by a joint company, Eurojet Engines, in which Rolls-Royce has been joined by Fiat of Italy, MTU of West Germany and Sener of Spain.

Still to make its presence felt in the military engine field, however, is the new collaborative (with Turbomeca) helicopter engine, the RTM-322, which is already a candidate for the US Sikorsky Black Hawk helicopter.

This power-plant follows Rolls-Royce's policy of developing a basic new "core" (the hot part of an engine where fuel is mixed with compressed air and burned to provide the basic power), which can be adapted to produce a wide variety of other engines, giving the company a high degree of development flexibility.

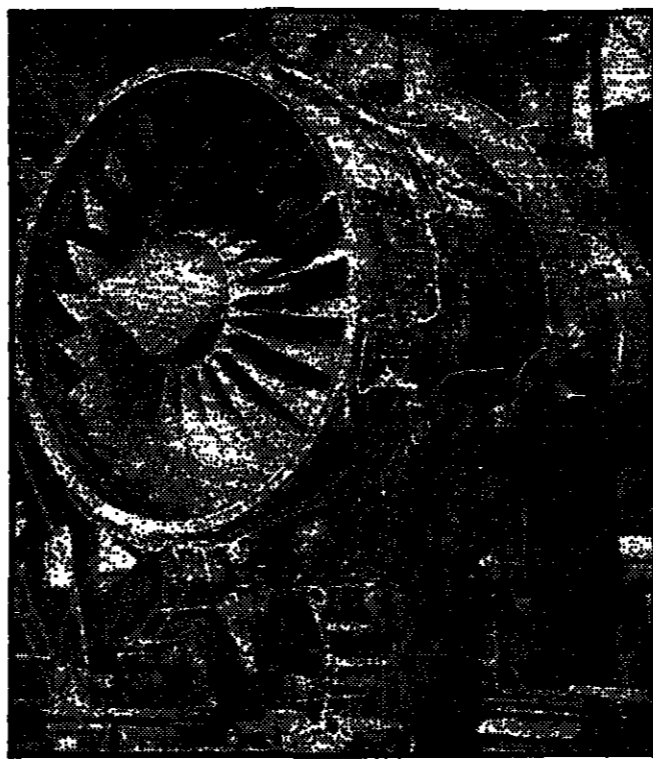
Civil business, however, will also remain a major part of the company's business.

Rolls-Royce divides this business into several sectors—wide-bodied medium-to-long range airliners such as Boeing 747 Jumbo jets, accounting for some 50 per cent by value of the overall world engine market; medium-haul airliners, such as Boeing 737 twin-engine jets, accounting for 34 per cent; short-to-medium haul airliners, such as Fokker 100s or Boeing 737s, accounting for 10 per cent; larger corporate jets, such as the US Gulfstream IV, 3 per cent; and large commuter turbo-propeller aircraft, 3 per cent.

The company is well represented in all these fields with existing turbo-fan or turbo-propeller engines. In the wide-bodied, medium-to-long range turbo-fan (jet) engine market Rolls is represented by the RB-211-524 series of power-plants, now being developed through the D4D version up to 58,000 lbs thrust, but with plans to take it further to 60,000 lbs or even 64,000 lbs if required.

In the short-to-medium haul aircraft field, the company has its smaller version of the RB-211, the series 535, in the Boeing 737 twin-engine jet airliner. Outstanding orders for the 535 version of the RB-211 are worth over £100m.

All of these civil engines



Signs of an upturn in demand for Rolls-Royce's series 535 turbo-fan engine.

have been Rolls-Royce's own projects, but the company has also extensively collaborated with overseas partners in the development of expensive new engines for the longer-term future.

The prime example is its participation in the seven-company, five-nation International Aero Engines group, in which it has a 30 per cent stake (as does Pratt & Whitney of the US, with engine companies in Japan, West Germany and Italy holding the rest), to develop the new V-2500 medium-thrust turbo-fan for use in the European A-320 Airbus, now under development, and the same group's Superfan, now on offer for the next-generation Airbus A-340 long-range jet.

These power-plants represent the core of the company's civil business through to the end of the century.

But already major new concepts of propulsion are looming, with increasing interest being shown in what are called "ultra-high by-pass" or UHB engines. In effect, these are engines in which substantial reductions in fuel consumption (in some cases claimed to be up to 40 per cent) are achieved by channelling (or "by-passing") a bigger volume of colder air around the hot core of the engine to join the hot gas exhaust, increasing propulsive efficiency.

The ways in which this can be done vary considerably, and as a result the engines show con-

siderable differences in shape, size and methods of installation. They also have various names. The much-publicised "prop-fan" of General Electric is an ultra-high by-pass engine, which with its massive propeller blades like a ship's screw make it suitable for installation on the rear fuselage of an airliner.

But another "UHB" engine is the more recent Superfan, a development of the International Aero Engines V-2500, for the projected new Airbus A-340. Because this can be mounted under the wings of an airliner, it is thought many airlines might prefer it.

Rolls-Royce is heavily involved in research and development of this new breed of engines for the mid to late 1990s, not only through its share of the Superfan through the IAE consortium, but also with such other types of its own, like the "Contra-fans," which may eventually be used on yet another new version of the Jumbo jet, the 747-500, around the end of this century as well as prop-fans, which could be used on smaller airliners.

It is generally believed that because of the high costs in developing these revolutionary new aero-engines, even on a collaborative basis, Rolls-Royce will seek Government launch aid for them.

Michael Donne
Aerospace Correspondent

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1986 AUDITED RESULTS

BSR INTERNATIONAL PLC AND SUBSIDIARY COMPANIES

HIGHLIGHTS FROM THE AUDITED FINANCIAL STATEMENTS:

	1986 £million	1985 £million
Turnover	346.0	261.8
Operating profit	15.0	(0.1)
Net interest payable	(4.5)	(5.6)
Profit after interest	10.5	(5.7)
Share of profit in related companies	1.2	(1.7)
Profit before taxation	11.7	(7.4)
Taxation	(1.2)	(0.4)
Profit after taxation	10.5	(7.8)
Minority interests	—	1.4
Earnings	10.5	(6.4)
Extraordinary items	(0.3)	(3.0)
Profit attributable to ordinary shareholders	10.2	(9.4)
Dividends paid and proposed	(4.5)	(4.0)
Retained profit	5.7	(13.4)
Earnings per 10p share	6.32p	(3.90)p
Dividends paid and proposed per 10p share	2.7p	2.4p

Note: The above audited financial information does not represent full financial statements within the meaning of section 239 of the Companies Act, 1985. An unqualified auditors' report will be given on the 1986 financial statements.

HIGHLIGHTS FROM THE CHAIRMAN'S STATEMENT:

"Nineteen eighty six saw a substantial improvement in the electronics industry world-wide and our company benefited from the upturn. In my interim statement in August, 1986, I was pleased to announce a return to profitability. The remainder of 1986 has seen the forecast increased demand for the Group's expanded product range and orders already received suggest this trend will continue throughout 1987.

During 1986 considerable personal energy and effort was expended by our Directors and executives to conclude the rationalisation programme started in 1984, in order to enable the Group to further develop its mainstream business and to pursue other areas of opportunity."

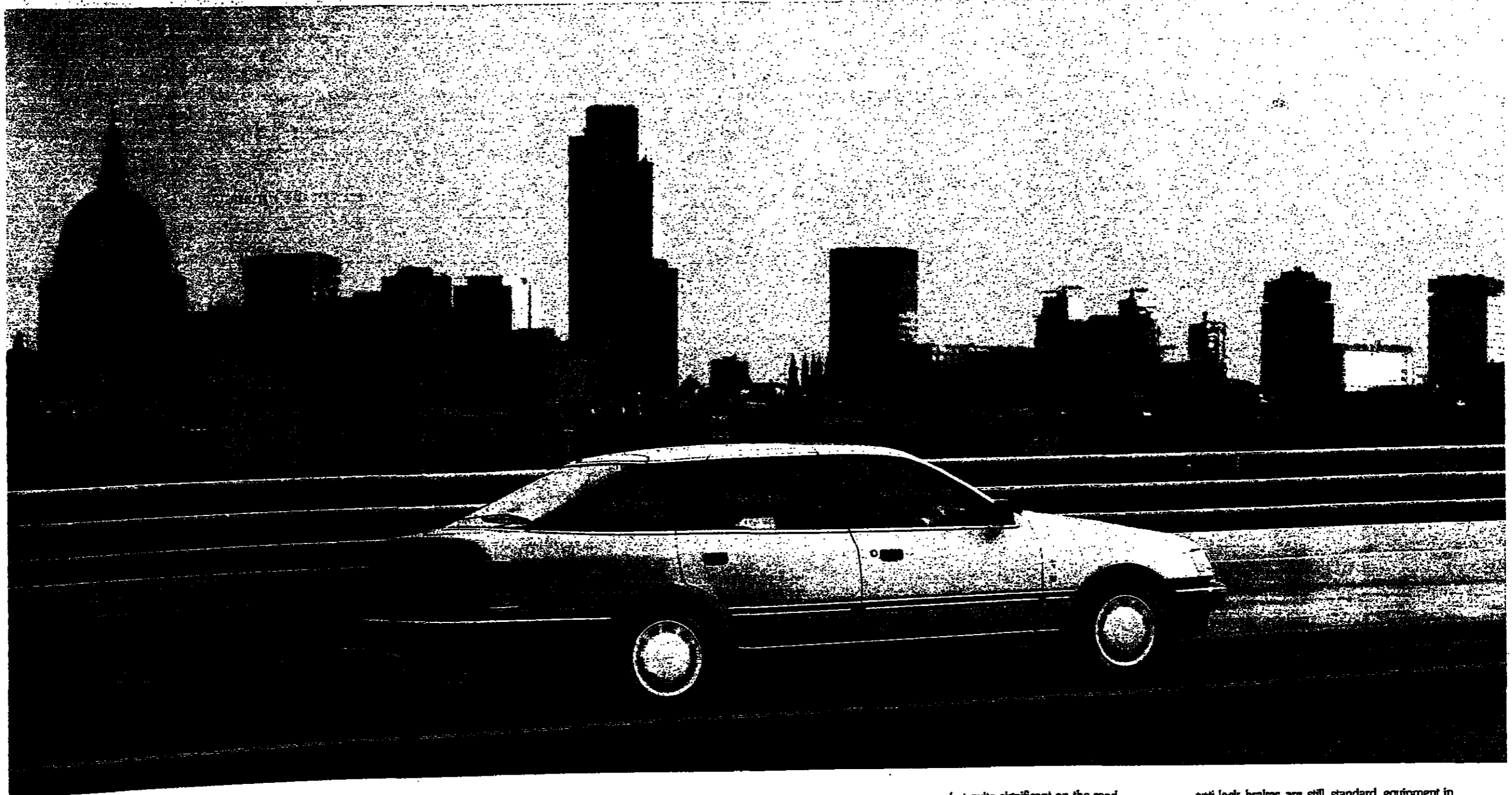
W.R.A. WYLLIE
CHAIRMAN

BSR INTERNATIONAL PLC

Incorporated in England with Limited Liability

Head Office: 2/F Kaiser Estate, Phase II, 51 Man Yue Street, Hungnam, Kowloon, Hong Kong.
Registered Office: High Street, Wollaston, Stourbridge, West Midlands DY8 4PG, England.

To obtain copies of the 1986 Annual Report, write to The Company Secretary at the Head Office, Hong Kong.



The new Granada 2.9.

Greater flexibility pays dividends in the city.

Few things in life are as annoying as City traffic. You may be able to cope but is your car always up to it? What you need is a car that pulls away really smoothly at low engine speeds; a car, that is, with plenty of torque.

That's the greatest asset of the new Granada

V6's, the 2.9 and the 2.4. Both these refined engines develop lots of torque at low speeds.

This makes them very flexible.

Not only will you find them completely unflustered in stop-go traffic, but also they accelerate more smoothly away from corners without

changing down and really pour on the power when overtaking.

If you'd like some figures that prove the point, we can tell you that fourth gear acceleration from 30 mph to 50 mph is 1.4 seconds faster with the new 2.9 than it was with the 2.8. Not a lot on

paper, but quite significant on the road.

Top speeds are impressive too - 129 mph for the 2.9 and 121 mph for the 2.4.

Apart from that, you'll be pleased to hear the 1987 Granadas are hardly changed. After all, the previous model did win 18 major international awards including the most prestigious of all, 'Car of the Year 1986'.

They're still the same stunning shape, they're still exceptionally spacious inside, and of course,

anti-lock brakes are still standard equipment in every model in the range.

Also, you can still buy 1.8 and 2.0 litre models. And there's a 2.9 with four wheel drive.

Whichever you choose, we're sure it'll be quite a success in the City.

*Ford computed figs. for optional manual 5-speed Ghia.

The new Granada
2.9 and 2.4.





**Two of British Airways
fiercest critics.**

At SAS, we've fought long and hard to give business travellers better service and greater comfort.

We're not alone.

One competitor has raised its standards dramatically in the past few years.

At this point, British Airways should stand up and take a bow.

They might find it more comfortable than sitting down.

When we set out to improve our service, we knew exactly where to start.

Your knees were staring us in the face.

After all, they're the fiercest critics of airline comfort. The first to complain if your style is cramped.

We duly expanded our leg-room—and your knee-room. Without expanding the price.

You still pay the normal economy fare.

BA gives you less knee-room. Without

reducing the price.

As a competitor, they're closing in.

Trouble is, it feels as though their seats are, too.

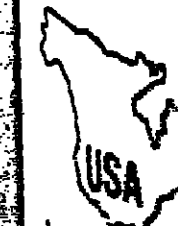
SAS
The Businessman's Airline

Rover
wiped

Day to back
technology
college project



No



USA

مكازم التحصيل

UK NEWS

Rover shareholder funds 'wiped out' by Leyland

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE COST of further rationalisation and disposal of Leyland Trucks, part of the state-owned Rover Group, will be about £200m. Rover shareholders are told in a circular.

Disposal of Leyland bus will cost another £50m. These costs, to be taken as extraordinary charges in the 1988 accounts, and further substantial losses last year, will wipe out Rover's current shareholders' funds.

Meanwhile, net external borrowings had risen to about £1bn by the beginning of 1987. However, the UK Government is expected to inject a further £500m of new cash in exchange for equity before April 1, when the extraordinary charges will be incurred, thus saving Rover from technical bankruptcy.

Rover will hold two extraordinary meetings on March 27 for shareholders to approve an increase in capital to pave the way for the Government to build its stake in the group from 99.7 per cent to 99.8 per cent, and to approve the disposal of Leyland Trucks and Freight Rover, the Sherpa van subsidiary, to a joint company controlled by Daf Trucks of the Netherlands.

Also, the group's borrowing limit, currently 2½ times the adjusted capital and reserves, is to be removed.

Rover for the first time gives details of unaudited management accounts of Leyland Trucks, Freight Rover and the related businesses which will become part of the new joint company.

The accounts show a 1985 turnover of £575m (£522m in 1984) and a loss before tax of £49.8m (£50m).

The 1985 net loss was £51.3m compared with a £24.4m loss the previous year, a period in which Leyland received a £28.3m tax credit.

The accounts show net tangible assets of Leyland Trucks, Freight Rover and associated businesses to be £152.8m. The circular encourages speculation about the total Rover losses last year. Shareholders' funds at the end of 1985 are shown as £506m and Rover says the extraordinary charges were "approaching £400m" which suggests an operating loss of at least £186m in 1986 compared with £39.5m the previous year.

Rover had £974m of bank debts last year on which it was paying normal commercial rates of interest

Enterprise beats the pocket money trap

By Christopher Parkes

OFFICIAL fostering of the entrepreneurial spirit and discouragement of reliance on handouts have had a dramatic impact on incomes in a little-studied segment of British society.

Parental contributions to juvenile income fell 1 per cent last year to £1.16p, according to the Wall's Ice Cream pocket money monitor, published yesterday.

The squeeze was felt most among lollipop-and-comic consumers aged between five and seven. Their pocket money was slashed 12p to 42p a week.

Only the 14 to 16-year-olds showed any real gain, and even they had to make do with only a 7 per cent rise - in line with national income figures.

However, this group knuckled down with special vigour, and earned income from paper rounds, Saturday jobs and the like rose dramatically.

A 66 per cent increase in their earnings brought the teenagers' total average incomes up to £3.95.

Average incomes for all children caught in the pocket money trap rose 13 per cent to £2.20. This figure was augmented by "supplementary benefits" in the form of gifts from friends and relatives.

The Wall's monitor, first published in 1974, also suggests that the rise of feminism has had its effect. Girls' total income, which was 16p lower than boys' last year, is now about the same.

Scottish parents are shown to be the most generous. They increased pocket money handouts 12 per cent to £1.44. Scottish children now receive at least 13p more than youngsters in other regions.

London children slipped to near the bottom of the league with a meagre £1.03, just ahead of those in Wales and the South-West.

While in Hamburg

enjoy your complimentary copy of the Financial Times as a guest of these Hotels:

Crest Hotel, Kapstadt
Atlantic Hotel, An der Alster
Ramada, Große Bleichen

Davy to back technology college project

By Philip Bassett and Michael Dixon

DAVY CORPORATION, the engineering and construction group, is set to become the second business backer of the Government's scheme for found 20 semi-independent city technology colleges.

The group has agreed to provide "substantial support" for the City Tech college on Teesside in a move that is likely to be welcomed by the Government as an indication of further business support for the scheme.

The Department of Education and Science said yesterday that the Government hoped to announce two or three specific schemes by Easter to follow the first scheme, at Solihull in the West Midlands, being supported by Hanson Trust and Lucas Industries.

One now seems certain to involve Davy, through its north-eastern subsidiary company, Davy McKee in Stockton-on-Tees. Davy McKee would not put specific figures on its contribution, but said its value would run into six figures.

Mr Roger Kingston, Davy McKee chairman, said: "Davy sees this as an opportunity to assist in the further development of young people with an interest in technology."

New system to help assess export risks

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE EXPORT Credits Guarantee Department (ECGD) is considering a new computerised system for analysing country risk that would give it greater flexibility in supporting British exports while still retaining an appropriate balance of risks in its overall portfolio.

The system is to be presented to its board on March 26 amid expectations that the go-ahead will be given for further development.

Research on the system started after the so-called Chapman Report of late 1985 which looked at ways in which the ECGD could become more responsive to the needs of industry.

Its unveiling before the board next Wednesday comes when the ECGD has again been criticised by exporters for the slowness of its efforts to improve its service. A survey of 250 companies conducted for the specialist Export Times newspaper this week reports that only 3.5 per cent of respondents feel they have deteriorated and 24.6 per cent say they are unchanged.

ECGD officials say the new country risk system is still at an experimental stage and it may take as long as 2½ years before its benefits can be properly assessed.

The hope is, however, that the system which would be the most advanced country risk analysis system available to any export credit agency would enable the department to monitor more precisely risks it is running across its whole insurance portfolio.

It would show, for example, whether exports insured are too heavily or too little weighted towards the higher risk countries. This might allow the department to become more flexible in writing new business instead of declaring a particular country "off-limits" as soon as economic or political problems surface.

This, in turn, might go some way towards satisfying the Treasury requirement that ECGD should do more to keep its risk of losses under control and maximise its earnings, while still permitting it to develop business in the riskier parts of the world.

The new system would allow ECGD not only to monitor its exposure, but also to assess the impact on its portfolio of major developments in the world economy. For example, it would allow ECGD to assess the likely impact on its business of sudden swings in the international oil price.

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This announcement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an offer or invitation to any person to subscribe for or purchase any of the Units.

Group One Limited

(a company incorporated on 3rd September 1986 in Bermuda under the Companies Act, 1981 of Bermuda as an open-ended investment company with limited liability, registration number EC-12286)

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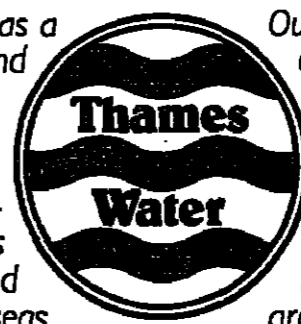
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UK NEWS

Ferranti pulls out of bidding for arms group

BY DAVID BUCHAN

FERRANTI, the electronics group, has unexpectedly dropped out of the running to buy Royal Ordnance (RO), the state-owned munitions and armaments company which is now the subject of "firm" rival acquisition bids by British Aerospace (BAe) and GKN, the Ministry of Defence (MoD) confirmed yesterday.

Ferranti bowed out of the competition to buy RO amid some confusion last Friday, the MoD's deadline for bids. The Ministry first confirmed that the electronics company had gone through the final round of contention for the munitions business, and then later ruled its bid out of court.

Ferranti did not follow BAe and GKN in bidding for the whole of RO, as the Government had requested. Instead, it proposed "an alternative treatment" of the planned privatisation, with the MoD selling part, but not all, of RO to Ferranti.

The MoD is determined to press ahead with its effort to sell RO as a single entity. It may not relish the fact that first Trafalgar House and then Ferranti have dropped out of the running, but Ministry officials

say the narrowing of the field to two simplifies the process of selecting the eventual buyer, which should be completed by the end of this month.

Ferranti said yesterday that in the event that the planned single sale of RO fell through, it would like the opportunity to bid for the electronic and high technology parts of RO, such as those making electronic fuses and rocket propulsion motors. "But at the price anticipated as necessary to achieve a successful purchase of the whole company, it wasn't right for Ferranti", a company spokesman said.

RO's last published accounts state its total net asset worth at the end of 1986 as £210m, although with a reduction in borrowing last year RO officials claim that the value of unencumbered assets rose by the end of 1986 to £235m.

Nevertheless, it is not expected that bids for the business will exceed £200m, and may be considerably lower, although evidently too high for Ferranti to pay for something in which it is only partly interested.

London studies share-a-cab scheme

By Andrew Taylor

AN EXPERIMENTAL taxi sharing scheme is expected to be introduced in the London area by the Transport Department this summer.

The Department, which is responsible for taxi services in central and suburban London, has established a steering committee to discuss ways of introducing sharing schemes to reduce the cost to passengers and to encourage wider use of taxis.

As a first step, the department is likely to introduce a separate taxi rank at Heathrow airport for passengers going to predetermined travel zones in central London and wanting to share a cab.

The new zones would mostly service the main hotel areas. Passengers would get a door-to-door service but would pay a set fee for each travel zone. This is likely to be lower than the present levels but would permit the driver to earn a higher combined fee than if the taxi was not shared.

The department is also considering the introduction of shared taxis for suburban commuters travelling into central London who might be in a position to share a cab travelling into the capital as part of its normal working routine.

Lucas decision to leave CBI has worrying implications

BY HAZEL DUFFY

THE DECISION by Lucas, the electrical and aerospace engineering group, to leave the Confederation of British Industry, is not, in itself, a bitter blow to the employers' group.

The CBI has survived the loss of other big engineering groups, like Rolls-Royce, the Dowty group and Babcock International, when manufacturing was even more important to it than today.

But the implications for the future direction of the CBI are substantial, particularly as Lucas has made clear that it believes it can more effectively represent itself to government than through the CBI. One of the CBI's main marketing points is its access to ministers and officials.

Manufacturing industry was the bedrock on which the CBI was founded in the mid 1960s. The contraction of the British manufacturing base since the late 1970s forced the organisation into looking further afield for members, notably in the financial sector, retailing and the professions.

It had considerable success, but inevitably this has made more diffuse the areas on which it can lobby. The decision to appoint a new director general, Mr John Benham, from outside the manufacturing sector, is viewed by some as evidence of the need to appeal to this widening arena.

Lucas believed that the CBI was increasingly unable to take to gov-

ernment those issues on which it thinks action is vital for the future competitiveness of manufacturing: the growing shortage of skilled engineers, for instance, the inadequacy of British industry's research and development effort, and the need for a more systematic approach by government towards manufacturing industry.

"In an ideal world, we would try to change policy from within the CBI, but this would require a huge investment in managerial time which we cannot make," said Dr Kevin Hawkins, Lucas director of corporate affairs, yesterday. Dr Hawkins is a former regional director of the CBI in the West Midlands.

The Lucas position highlights two problems for manufacturers. Management has had to put a big effort into survival in the past few years, leaving little time to devote to the committee-led structure of the CBI. Increasingly, it felt that organisation was failing to represent its needs.

The time factor was the explanation given by the Rover Group late last year for its decision to leave the CBI, plus the fact that it thought it could be better represented through the Society of Motor Manufacturers and Traders.

Companies in the engineering sector frequently belong to several representative bodies. This would include their trade association (Lucas belongs to the Society for Brit-

ish Aerospace Companies as well as the SMMT), and the Engineering Employers' Federation, and possibly local chambers of commerce.

The EEF has lost members at a more dramatic rate than the CBI, and cannot hope to make up some of the number from other sectors. Historically, members belong to the EEF for industrial relations and pay negotiations purposes. Increasingly, however, the EEF is being seen as an organisation which can lobby on matters specific to the industry.

Dr James McFarlane, director general, has been active in rallying support from members for an industrial strategy. In this, he can afford to be more open than his counterpart at the CBI which is lobbying on behalf of a more diverse membership.

The multitude of trade associations in the engineering industry have also been forming themselves into a more cohesive group, notably through the Council of Mechanical and Metal Trade Associations. With about 20 members, it plans to become a more effective lobbying group both at Westminster and in Brussels, where many of the decisions affecting the industry are made.

These developments could lead to more desertions from the CBI among the old guard membership. New CBI Chief, Page 14

Lloyd's still to discuss changes to council

BY RICK BUNKER

LLOYD'S, the London insurance market, yesterday described as "premature speculation" a report that it wants to appoint two leading British industrialists and a chartered accountant as new "nominated members" of its ruling council.

A newspaper has named the three men as Sir Maurice Hodgson, chairman of British Home Stores, Sir Philip Shelbourne, chairman of Britoil and Mr Brian Pomeroy, a partner in Touche Ross, the accountancy firm.

Mr Pomeroy was a member of the Government-appointed inquiry team, led by Sir Patrick Neill,

which in January published 70 recommendations for improvements in regulatory arrangements at Lloyd's.

Lloyd's has accepted the report's central recommendation that it should appoint an extra four outsiders as nominated members. This would double the number of nominated members and end the traditional domination of the council by professional Lloyd's brokers and underwriters.

Lloyd's said yesterday that the council had not yet been asked at its regular monthly meetings to approve the choice of any candidates for the new posts.

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2. Accordingly, the conversion price of the Bonds will be adjusted effective immediately after each record date. The conversion price in effect prior to such adjustment is Yen 71.50 per share of Common Stock and the adjusted conversion price is Yen 646.50 per share of Common Stock.
KAO CORPORATION
By: The Bank of Tokyo
Trust Company as Trustee
Dated: March 17, 1987

NOTICE OF INTEREST RATE
To the Holders of International Bank for Reconstruction and Development
United States Dollar Floating Rate Notes of 1985
In accordance with the provisions of the Notes, notice is hereby given that the above Notes will bear interest for the period from March 15, 1987 to and including June 14, 1987 at a rate per annum of 6.212185% payable on June 14, 1987 in the amount of \$158.76 in respect of each \$10,000 principal amount of Notes and \$3,968.90 in respect of each \$250,000 principal amount of Notes.
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Dated: March 17, 1987

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2. Accordingly, the subscription price of the above-mentioned Warrants will be adjusted with effect from 1st April, 1987, Japan time. The subscription price in effect prior to such adjustment is Yen 1,174 per share of Common Stock, and the adjusted subscription price will be Yen 1,071.50 per share of Common Stock.
MITSUBISHI ESTATE COMPANY, LIMITED
By: The Bank of Tokyo
Trust Company as Fiscal Agent
Dated: 17th March, 1987

NOTICE TO THE HOLDERS OF The SunTrust Trust and Banking Company, Limited
2 1/4% Convertible Bonds Due 2001 (the "Bonds")
Pursuant to condition 5(C)(i) of the Terms and Conditions of the above-mentioned Bonds, notice is hereby given as follows:
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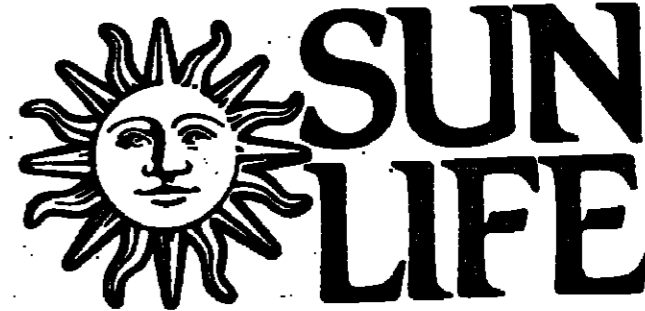
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*Source: Managed Funds quoted in FT 11/2/77 and still offered on 11/2/87.



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UK NEWS

Alan Pike looks at statistics in the law and order debate

Crime figures steal political stage

CRIME RATES up. Detection rates down. Only 18 per cent of reported offences in London cleared up last year.

These crude facts extracted from crime figures announced by the Home Office and Metropolitan Police yesterday will intensify political debate on the law and order issue in the run up to the general election.

A 16 per cent clear-up rate in London - dropping to a negligible 6 per cent for offences such as theft of property from cars and picking pockets - might make the public wonder whether the £50m a year invested in police services in England and Wales is money well spent.

But crime statistics, like so many others, are open to a variety of interpretations, and overall averages conceal a huge range of variation in the successful detection of crime.

Reported crime in England and Wales rose 7 per cent to a record 3.8m offences last year, after a trend which has seen average increases of 6 per cent a year during the 1980s.

Very many crimes, mostly relatively minor offences, are never reported to the police. The national crime figures cannot, therefore, be taken as a comprehensive statistical snapshot of crime in Britain. There are grounds for believing that the public is more inclined to report offences now than in the past, and that the apparent rise in crime is not quite as great as the figures suggest.

But the statistics undoubtedly illustrate a trend towards increasing criminal activity - a trend which, say senior police officers, is paralleled throughout Europe.

Nationally, the proportion of reported offences cleared up last year was considerably better than the Metropolitan Police's 18 per cent, although at 31.6 per cent it was still nearly 5 per cent down on 1985.

Clear-up rates are a guide to types of crime in a locality rather than police force efficiency. The majority of what Sir Kenneth Newman, Metropolitan Police Commis-

sioner, describes as petty, opportunistic crimes are simply not solved by the police.

Nationally, only 25 per cent of house burglaries, 20 per cent of robberies, 18 per cent of thefts from vehicles and 11 per cent of cycle thefts were solved last year.

Rather than attempt the near-impossible and fight to make great improvements on these figures, police forces are increasingly diverting resources into crime prevention techniques such as the establishment of Neighbourhood Watch schemes among householders.

Those responsible for serious crime are far more likely to be caught. A total of 92 per cent of murders and other killings were cleared up last year. The police solved 71 per cent of cases of violence against the person, and 62 per cent of reported rapes.

Nationally, 61 per cent of fraud and forgery cases were solved, while the Metropolitan Police cleared up every case of extortion reported to it last year - a con-

mendable effort but, because there were only 28 cases, one which made no impact on the overall crime figures.

The crime statistics convey one clear message. Police forces cannot devote an equal level of resources to every type of crime. The Metropolitan Police now conducts annual opinion polls to identify areas of greatest public anxiety, and allocates resources in response to these priorities.

But many of the pressures on police resources have nothing to do with fighting crime. Sir Kenneth said yesterday that in 1986 police officers had worked harder than ever before.

As politicians argue over the crime figures - Mr Gerald Kaufman, opposition Labour Party spokesman on the Home Office, yesterday attacked "Mr Thatcher's criminal record" - saying the Government's promises to deal with crime were an empty sham - senior police officers will intensify their lobbying for more personnel.

New CBI chief takes over as industry's prospects brighten

BY HAZEL DUFFY

AT A TIME when prospects for industry are suddenly looking better, Mr John Banham began work as director general of the Confederation of British Industry yesterday. He is the former head of the Audit Commission, the watchdog of local authority efficiency.

He takes on an organisation which, by choosing him for the top job last autumn after Sir Terence Beckett announced his retirement, implicitly acknowledged that it was time for some change in direction. Sir Terence, to whom Mr Norman Willis, general secretary of the TUC, recently paid tribute by describing their relations as "astute, interesting and respectful" had done much during his six and a half years in the post to streamline the CBI head office at the Centre Point building in London.

Despite his period of office coinciding with that of a Conservative Government, they were not easy years. Britain's manufacturing base, which still forms the core of the CBI's membership and from where Sir Terence had come (he was chairman of Ford before going to the CBI), had gone through a

shattering shake-out.

The CBI found itself in the difficult position of supporting a government the policies of which were eroding its base.

Mr Banham arrives when the more realistic exchange rate, particularly against the D-Mark, for which Sir Terence had fought so long, has boosted opportunities for exporters. British industry's unit labour costs - the subject of another of Sir Terence's arduous campaigns - are stabilising in relation to those of competitors.

Mr Banham will not find the future plain sailing, however. The CBI must increasingly represent Britain's fast-growing sectors - banking, insurance, retailing - if it is to survive as the body that speaks for business. Sometimes, their interests and sympathies do not tally with those of manufacturing industry.

The CBI is trying to promote a better understanding of City of London and industry positions through a task force, set up early this year, which reports to Mr David Nickson, CBI president.

It will be a difficult balancing act,

even for a body used to having to bring together the sometimes differing views of its members around the country. The very existence of the CBI pre-supposes that these views, by being accommodated into a coherent whole, must necessarily be somewhat bland.

Mr Banham, 48, has had little experience of being both co-ordinator, leader and managing director, as will be required of him at the CBI. As a McKinsey consultant and as head of the Audit Commission since its inception in 1983, his role was essentially that of the "outside" commentator.

At the Audit Commission, however, he showed a considerable ability to marshal facts in an unbiased fashion during a period when local government issues were projected into the political limelight. He presented those facts without fear of who they might embarrass.

A man who seems to welcome publicity, Mr Banham can be expected to relish the high profile that goes with the job. The public will be hearing a lot of him over the next five years.

Edinburgh trust switch defeats Judge takeover

By James Buxton, Scottish Correspondent

SHAREHOLDERS in Edinburgh Financial Trust (EFT), the small Scottish investment trust, yesterday unanimously approved their board's proposal that it should relinquish its investment trust status and concentrate instead on financial services.

The vote, at an extraordinary general meeting in Edinburgh, marked the defeat of plans by a consortium headed by Mr Bruce Judge, the New Zealand entrepreneur, to take control of the trust, increase its capital and use it to acquire strategic stakes in public companies.

Shareholders also approved the purchase by EFT of the remaining 10 per cent stake in First Northern Finance, Corporation.

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Turnover	£132.4m	£135.7m
Profit before taxation	£10.1m	£10.3m
Extraordinary charge	£1.9m	£0.4m
Earnings per share	14.7p	15.7p
Dividends per share	8.0p	7.45p

1986 performance

CEI was unable to insulate itself from the business climate affecting the electronics industry generally and group turnover fell by 2.4%.

Market conditions improved towards the end of the year. Although many companies in the group sustained extreme pressure on profits, there were some good performances. However, it was not possible to prevent a small decline in the overall profitability of the group to £10.1m.

Rigorous control of cash resources enabled the group to maintain a policy of substantial capital investment without any significant change in the group's borrowing position at the end of the year.

Strategic review

The board has reviewed the strategy of the group and the structure and management of its operations to reflect changes in technology and in the market place and to restore potential for growth and increased profitability.

This has resulted in major changes within the group and consequent costs. Although this expenditure is being incurred in 1987, full provision as an extraordinary charge of £1.9m has been made in the 1986 accounts.

The board regards this outlay as an essential investment in the group's future.

The future

CEI has emerged from a difficult period in a strong position which enables the board to recommend an increase in dividend.

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interstate merger in banking history, with Texas Commerce Bancshares, and to the largest merger between a New York and a New Jersey bank, with Horizon Bancorp.

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Germany	DM	330	596	1015
Luxembourg	LFR	6040	10980	18670
Netherlands	NFL	365	665	1130
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D

MANAGEMENT: Small Business

Equity funding

The gap that shows stubborn persistence

BY CHARLES BATCHELOR

SMALL BUSINESS should have hit the jackpot. Several years of government policies aimed at stimulating the small firm sector, tax breaks for the Business Expansion Scheme and the mushrooming of venture capital funds should have made raising finance the last of the small businessman's worries.

The reality is rather different. Finding funds remains a major problem for many small businesses and there is growing concern that many providers of finance to small business are unwilling to invest amounts of less than £100,000.

The cost of researching and monitoring smaller investments in high risk companies — particularly if the funds are provided in the form of equity rather than as a loan or overdraft — has become prohibitive.

"There definitely is an equity gap for funds below the £100,000 level," says Carole Raschkes, manager of the London Enterprise Agency's (LEA) marriage bureau, which tries to bring young companies and investors together.

Some people believe the gap is even larger. "In fairness there are difficulties in raising money up to the £250,000 level," notes Andrew Lord, senior manager of National Westminster Bank's small business section. "This does not mean there is an actual shortage of funds but the time that people have to devote to it means small companies have difficulties in raising the money."

The existence of the equity gap is nothing new. The Bolton Committee Report of 1971 highlighted its existence while the Wilson Committee warned in 1979 that "the deficiencies in the availability of equity finance for small business are putting undesirable constraints on their rate of creation and growth."

In intervening years, however, the problem appeared to have eased as new sources of capital became available. The equity gap identified by Bolton would have risen to £1m in today's money, taking inflation into account. But after this period of improvement the gap

now seems to be widening again.

If businessmen with a good idea are unable to find the funds to launch a company there may be a shortage of growing companies in a few years' time.

Equity funding is particularly important to small businesses since it provides them with a permanent capital base which is cost-free until they start making profits; it also provides a foundation for raising additional finance.

While businessmen are often critical of the banks and others for failing to provide equity it is equally true that many small businesses in the UK resist giving up any shares to an outsider for fear of losing control of the business.

The refusal of many venture capitalists to back the smaller ventures can be particularly galling. The venture capital sector has grown dramatically in recent years. From just 30 funds active in 1979 the number has grown to more than 110 and investments in UK companies have exceeded £200m a year in recent years.

The venture capital funds have provided additional equity funding but as the industry has matured many of the funds have moved away from providing the smaller amounts many companies need.

"Minimum investment levels have doubled in the past five to six years," says Tony Lorenz, senior managing partner of ECI ventures. "In the early 1980s venture capital funds were liquid and were building up deals. But we started to ask ourselves where our £50,000 investments were leading us."

The answer appears to be for funds to specialise in a particular industry or to concentrate on a region of the country.

3i (Investors in Industry), the largest provider of venture capital in the UK, is readier than most to consider smaller propositions but Neil Cross, assistant general manager, agrees that "pound for pound they are more expensive to put together and monitor."

Cross denies, however, that there is a funding gap for

the well structured, well-presented business proposition. "If there is an equity gap then it is for those projects which won't grow and won't give the return we require."

With venture capital fund managers looking for average returns on their investments of 25 to 30 per cent—and for up to 60 per cent on some of the high-tech start-ups—it is perhaps not surprising that few new companies meet their criteria.

And since one third of all new companies go out of business in the first three years of their existence—despite the attempts to weed out the losers—the reason for the fund managers' caution is understandable.

But it is the banks, rather than the venture capitalists, which are the major sources of finance for small businesses, usually in the form of an overdraft or a loan. And it is the banks which feature most prominently in the tales of woe related by many small businessmen.

Bill Grice, managing director of Lasertech Plastics, which produces precision-cut plastics for the medical and electrical industries, complains that despite the fact that he could show £70,000 worth of confirmed orders, his bank manager refused to provide extra funding.

Lasertech, based at Biggin Hill, Kent, was finding it difficult to fulfil these orders because it was short of cash, says Grice. The bank initially helped out with a £25,000 loan and Grice raised £45,000 from re-mortgaging his home and borrowing from friends to bring his company to the production stage. It was at this stage, he claims, that the bank let him down.

He is now close to completing an arrangement with a private investor — contacted through Lenta's marriage bureau—who will invest £75,000 and join the Lasertech board.

The banks recognise the problems many small businesses face and a number are setting up special units to provide specialist help for businessmen.

NatWest recently launched



what it calls its capital loan scheme to help small businesses over this hurdle. It will provide a loan of up to £200,000 with options attached to allow the bank to take shares in the company at a later date.

The BES funds have been a useful addition to the range of funding options open to small businesses. But the restrictions imposed by the Inland Revenue on BES companies mean it is not suitable for all new companies.

And like venture capitalists and bankers the managers of BES funds only have the resources to monitor a limited number of investments. Pressure for them to go for the larger investments is strong.

Don Strachan, managing director of Task Force, an Essex-based manufacturer of sound-activated burglar alarms, complains his contact with the 10 BES fund managers he approached was limited to a telephone call and a request that he put a copy of his business plan in the post.

None was prepared to finance him but he finally raised £40,000 from two private investors he met through the Lenta marriage bureau. They have taken a 50 per cent stake in the company.

The problems faced by many small businesses in raising small amounts of capital have prompted a number of enterprise agencies to establish marriage bureaux. They give entrepreneurs a chance to present their business idea to a group of private investors.

Ethnic communities

Help for displaced cultures

Charles Batchelor reports on Ismaili and Bangladeshi initiatives in the UK

ENTERPRISE agencies have been flourishing in Britain in recent years. More than 300 have been established since the late 1970s when the movement, which aims to bring big business skills to help small firms and the community, began.

One of the more unusual agencies, and one that is not usually counted in the statistics, is the Ismaili Business Information Centre in Kensington, West London, set up in 1976 to help the 15,000 Ismaili Muslims who have come to Britain, mainly from East Africa.

In several important respects — its ethnic bias and its financial dependence on one main source, the Aga Khan Fund for Economic Development — the centre differs from others around the country. But its aims, to help its clients to help themselves in business, are the same as those of other agencies.

"The Ismaili community had a business culture but it had been displaced to a new country," says Sadruddin Akbarali, head of the centre.

"We knew as a minority we would have problems establishing a track record. His Highness, the Aga Khan (spiritual head of the community) said we must make ourselves bankable."

The centre decided to concentrate on retail and service sectors since these appeared to provide better prospects and required less capital than manufacturing. It devised a loan guarantee scheme with Lloyds Bank whereby the Ismaili community would guarantee one-third of any loan.

"Initially the bank was reluctant but it snowballed," says Akbarali. "We created a track record with the bank and in the first five years I hardly had a failure."

He calculates that the bank has lent £11.6m under the scheme and a further £8.1m has been provided outside the scheme. The failure rate of companies covered by the guarantee has been under 2 per cent compared with around 30 per cent for the UK nationally (though the Government's guarantee scheme is aimed at very high risk ventures) and a total of 700 families, a fifth of the community, have been helped into business.

Now many of the businesses which the centre helped create are moving on to the second stage of their development — and to a new set of problems.

"Family businesses face the problem of bringing in outside skills and of establishing a

proper corporate and financial structure with the appropriate controls," explains Akbarali. To help companies over these difficulties, Industrial Promotion Services (IPS), part of the Aga Khan Fund, provides new equity capital and will take a stake of between 20 and 80 per cent in companies run by members of the Ismaili community.

In return for the financial help, the family-run company must adapt its corporate structure and controls so as to allow it to grow further. Most important, the high level of gearing (borrowings in relation to equity capital) must be reduced from a typical level of 8:1 down to a more comfortable 1:1.

IPS does not aim to remain a permanent investor in the companies it helps but reckons on pulling out three to seven years later.

A characteristic of the second generation of Ismaili businessmen is that they are willing to take greater risks in business and are prepared to enter a broader range of activities.

On the other hand the sons are not prepared to work the 80 or 90 hours a week that their fathers would accept. There is a greater appreciation of the quality of life, Akbarali says.

'Unprecedented co-operation'

WHILE THE Ismailis present a picture of ordered self-sufficiency, over on the other side of London the Bangladeshi community in the East London borough of Tower Hamlets is a group under stress.

Since up to 80 per cent of the Asian community comes from the primarily rural area of Sylhet, it lacks many of the business skills developed by the Ismailis in East Africa. The Bangladeshis tend to be locked into businesses in the rag trade, catering, retail and leather businesses, says John Hyatt, London regional director for Business in the Community, the umbrella organisation of Britain's enterprise agencies.

After 18 months of negotiation BIC has devised a scheme to provide advice and finance to the Bangladeshis of East London in what Hyatt believes is an unprecedented degree of co-operation between the City

of London and the local community.

BIC plans to recruit two Sylhet-speaking outreach workers to help local businessmen develop their ideas and to form the basis of an East London Bangladeshi Enterprise Unit. The outreach workers will be funded by a £32,000 grant from the Home Office, a £2,500 annual contribution from local Bangladeshi businesses and money from the private sector.

Kleinwortz Benson, the merchant bank, will provide £6,500 a year of seed-corn capital while Lloyds of London, the insurance market, has agreed to set up a £50,000 fund for use by the immigrant communities in Tower Hamlets and nearby Hackney.

"This is the first time that the City has put money into a venture like this," says Hyatt. "The City is becoming aware that it should not remain iso-

lated from these problems. We have been working on this for years without success until now."

The willingness of local Bangladeshi businessmen to put up funds to help their own community is also unprecedented. Previous attempts by BIC to persuade local ethnic communities to help fund self-help schemes have not produced results.

The seed-corn funding will be distributed to deserving businesses in amounts of up to £1,000 and over 24 month periods. Interest rates will vary, though in some cases interest-free loans may be given.

"The Asian communities tend to have their own internal support structure but the problems in East London are so bad the community cannot support itself," comments Hyatt. "We hope to make them aware of other opportunities."

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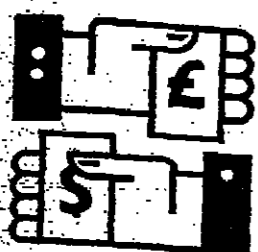
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FINANCIAL TIMES
SURVEY

The growth of cross-border equity investment following the easing of controls in markets around the

world has created the need for a new instrument to measure performance. This will be offered by the FT-Actuaries World Indices, launched today, which will capture daily the prices of 2,400 equity securities in 23 countries.

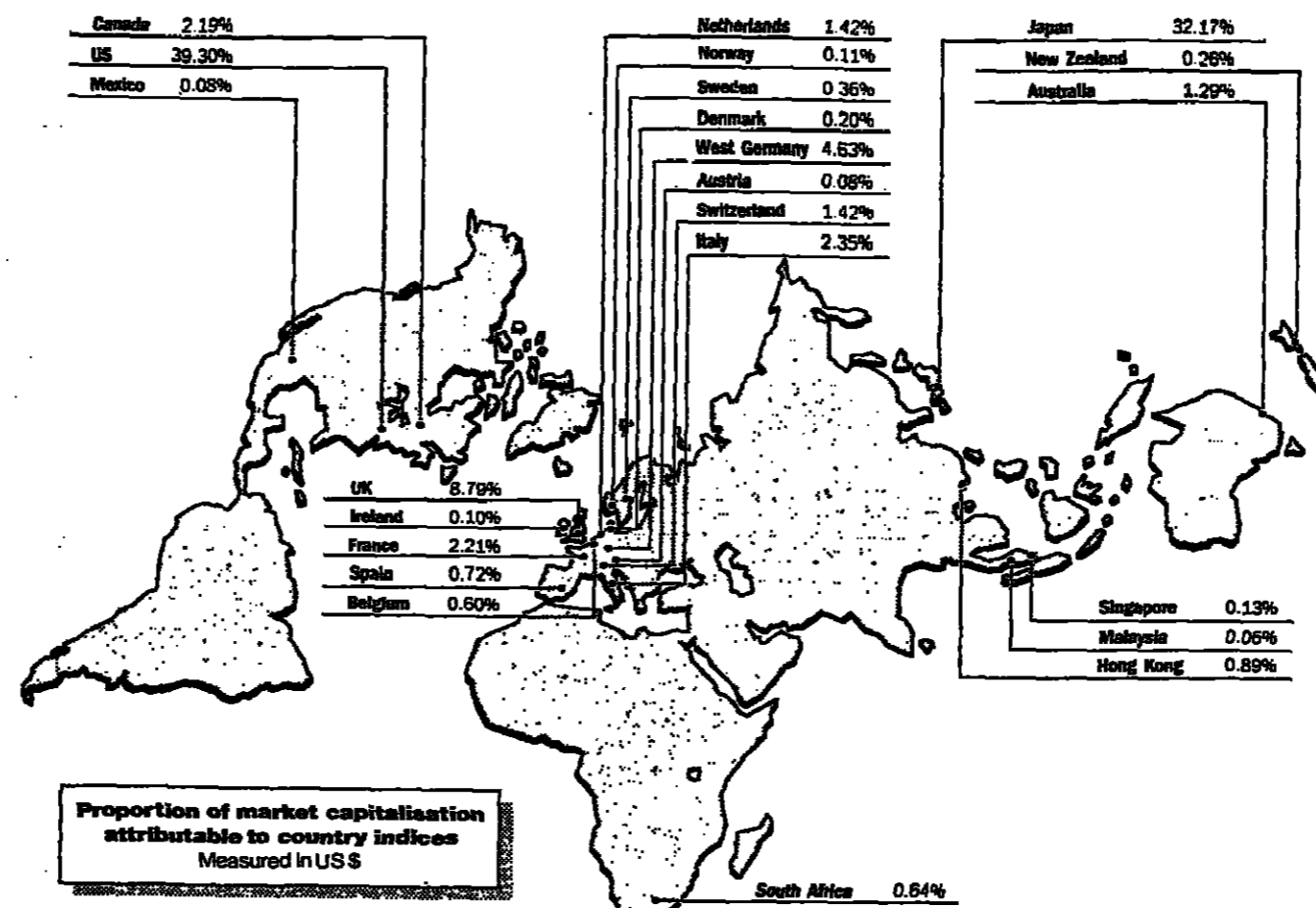
Richard Lambert reports.

A benchmark for investors

THE FT-ACTUARIES World Indices, launched today, are intended to provide a new benchmark for investors in equities around the world. Based on the prices of around 2,400 equity securities drawn from 23 countries, the indices represent well over 70 per cent of the total market value of the world's main stock markets. The decision to calculate all these numbers follows the enormous growth in the volume of cross-border equity investment in recent years. US fund managers, who 10 years ago invested almost entirely in their domestic market, have been encouraged to diversify on an international basis, both by legal considerations and by the attractive returns that have been available.

The removal of exchange controls in the UK led to an upsurge of foreign investment from 1979

onwards: controls have also been lightened elsewhere in Europe. An increasing proportion of Japan's enormous capital surplus is being directed into the world's equity markets. Calculated on the same basis as the well established FT-Actuaries Indices of UK securities, the indices will be produced daily and published in the Financial Times. As well as the individual indices for 23 different countries—which in many cases will be more comprehensive than the best available local yardsticks—the daily table will include a series of regional indices together with the overall World Index. The main aim has been to provide a set of measurements against which to judge the performance of international fund managers. This means that markets, companies and securities have been included only

FT-Actuaries
World Indices

when direct holdings of shares by foreign nationals are allowed. The registered shares of Swiss companies and Swedish bank stocks are examples of securities that have been excluded for this reason.

Again with the international investor in mind, the indices are calculated in three separate currencies—the US dollar, sterling and the local currency. The regional indices are calculated in a way that takes into account the relative weight of local capitalisations. The gross dividend yield is also published, on the basis of what foreign share-

holders are entitled to receive before withholding taxes.

The project is being managed jointly by the Financial Times; Goldman Sachs, the leading US investment bank; and Wood Mackenzie, one of the most prominent members of the International Stock Exchange in London. The whole exercise is under the oversight of representatives of the Institute of Actuaries and the Faculty of Actuaries, which have been working with the FT on the calculation of UK indices since 1962.

The main reason for this joint

arrangement is that the new indices require an enormous amount of specialised expertise and continuous monitoring if they are to meet their ambitious goals. The right constituents have to be selected, and details of price movements and capital changes have to be checked daily. In broad terms, Goldman Sachs will be responsible for the North American constituents, the FT will take care of Europe, and Wood Mackenzie will look after everywhere else. A number of other world share indices are already published, most notably the Morgan

Stanley Capital International series, and others may be in the pipeline. Apart from its very comprehensive coverage, the special feature of the new FT-Actuaries series lies in the independence and established authority of the FT and the Actuaries in the calculation of indices. Fund managers, whose livelihood depends on how they perform in comparison with such yardsticks, need to be confident that the indices will be calculated in a consistent, objective and readily understandable fashion. The new indices will be under

International performance measurement
The cross border market in shares 2
The full list of 2,500 companies covered by the indices 3
International industry indices
The growth of index funds 4

The FT-Actuaries World Indices are jointly compiled by The Financial Times Limited, Goldman Sachs & Co. and Wood Mackenzie & Co., Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

the control of a specially formed policy committee, which will meet quarterly under a chairman appointed by the Institute of Actuaries and the Faculty of Actuaries. Both the FT-Actuaries UK indices and the FT-SE 100 index are also controlled by a similar system. The committee's job will be to make sure that the indices are up-to-date and meet the current needs of investors. It will also supervise the daily running of the project. The hope is that investors will register their views with this committee. The more information that can be gathered about their views and requirements, the better the quality of the product.

As well as the chairman, the committee will consist of another representative of the Actuaries, one from each of the three compilers, and representatives of user groups. These currently come from County Investment Management, Rowe Price Fleming International, and the WM Company. Details of changes in the constituent list will be reported promptly in the FT.

Selecting the constituents has proved to be an enormously complicated task. The policy committee wanted to establish as clear and objective a set of ground rules as possible. Inevitably a number of compromises have had to be made in order to cope with different circumstances around the world. But the overall guidelines are reasonably straightforward:

□ In each country, the aim has been to capture at least 70 per cent of the total market value of all companies' shares listed on the domestic exchange. In countries where this has not been possible, such as Sweden or Malaysia, the reason is usually to be found in various constraints which exist on the ownership of shares by foreigners. □ Another goal has been to capture a fair proportion of the number of companies available: we did not want to construct simply an index of giant companies. Of course, the structure of markets varies from country to country. For instance, the West German equity market is dominated by a small number of large companies, which means that although the new index represents a high proportion of the local market in terms of value, it only includes a relatively small number of West German companies. Overall, the index represents

over 15 per cent of an estimated universe of more than 15,000 listed companies.

□ Apart from banning shares that are not available to the international investor, the index also excludes companies where 75 per cent or more of the issued capital is controlled by dominant shareholders. To take an extreme example, the inclusion of Rover Group—which is more than 99 per cent owned by the UK Government—would have been quite misleading.

Companies and markets are included only when the compilers are confident that a reliable and timely source of price movements is available. The indices are based on the previous day's closing prices, with the exception of Mexico, which is a day late because of the difficulties of price collection.

□ Companies with a market value of less than \$100m at the end of 1985 have been excluded, in order to ensure a reasonable level of marketability. There is an exception to this: if the average market capitalisation in any country is less than \$100m, the cut-off level has been set at that average figure. □ Subject to the other constraints, the index has aimed to include a number of smaller companies with a strong international following. □ In order to keep the whole thing manageable, the number of companies from the US—by far the biggest and most broadly based of the world's equity markets—has been limited to 600.

Given the scale of this exercise, it is likely that, despite all our efforts, the initial list of constituents may well contain some gremlins. We are publishing the constituents in full, in the hope that users will point these out and so help us to construct a set of indices which will do on a world scale what the FT-Actuaries Indices have already done for the UK market.

Survey Reprints

A half-size reprint of the World Indices Survey can be obtained free of charge by sending an A4 SAE (letterpost rate) to Lorraine Spang, Financial Times, Bracken House, 20 Cannon Street, London EC4P 4B7

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NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 2 1987					U.S. DOLLAR
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	U.S.\$ Gross Div. Yield	
Figures in parentheses show number of stocks per grouping						
Australia (95)	105.22	+0.36	105.22	105.22		
Austria (12)	105.23	+0.51	105.23	105.23		
Belgium (44)	105.60	-0.08	105.60	105		
Canada (136)	105.12	-0.56	105.12	105		
Denmark (32)	105.15	+0.83	105.15	105		
France (125)	105.15	+0.00	105.15	105		
West Germany (98)	106.10	+0.95	106.10	105		
Hong Kong (43)	107.67	+1.57	107.67	105		
Ireland (11)	108.71	+1.04	108.71	105		
Italy (72)	109.05	+0.34	109.05	105		
Japan (452)	111.54	+2.49	111.54	105		
Malaysia (34)	113.10	+1.58	113.10	105		
Mexico (24)	112.90	-0.20	112.90	105		
Netherlands (36)	113.40	+0.50	113.40	105		
New Zealand (30)	114.36	+0.86	114.36	105		
Norway (26)	116.38	+0.49	116.38	105		
Singapore (24)	116.17	-4.30	116.17	105		
South Africa (49)	112.49	+0.00	112.49	105		
Spain (33)	113.64	+0.49	113	105		
Sweden (34)	114.00	-0.30	114	105		
Switzerland (51)	115.78	+0.37	115	105		
United Kingdom (353)	115.07	+0.70	115	105		
United States (560)	114.09	+1.08	114	105		
Europe (985)	115.01	+0.77	115	105		
Pacific Basin (638)	120.17	+4.5	120	105		
Pacific (1622)	222.22		222	105		
Africa (496)	122.34		122	105		

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Country analysis of FT-A World indices

	Estimated total market capitalisation	% world total	FI-A Index capitalisation	% total World Index	FI-A Index as % of total market
	\$bn		\$bn		
Australia	85	1.45	*59.0	1.29	69 (74)
Austria	5	0.08	3.7	0.08	74
Belgium	35	0.60	27.7	0.60	79
Canada	170	2.90	*100.7	2.19	59 (68)
Denmark	15	0.26	*9.1	0.20	61 (70)
France	140	2.39	101.4	2.21	72
Hong Kong	55	0.94	40.9	0.89	74
Ireland	5	0.08	4.6	0.10	92
Italy	115	1.96	107.9	2.35	94
Japan	1790	30.53	*1476.7	32.17	92 (93)
Malaysia	18	0.31	*2.6	0.06	14 (49)
Mexico	8	0.14	*3.7	0.08	48 (80)
Netherlands	85	1.45	65.4	1.42	77
New Zealand	20	0.34	12.1	0.26	61
Norway	9	0.15	*5.1	0.11	57 (67)
Singapore	19	0.32	*6.0	0.13	32 (66)
South Africa	45	0.77	29.2	0.64	65
Spain	50	0.85	33.1	0.72	66
Sweden	60	1.02	*16.3	0.36	27 (69)
Switzerland	110	1.88	*65.1	1.42	59 (65)
UK	450	7.67	403.4	8.79	90
US	2335	39.62	1803.8	39.30	77
West Germany	240	4.09	212.4	4.63	89
Total	5864	100.00	4590.0	100.00	78

* The Index capitalisations are reduced by the constraints imposed on holdings of securities by non-residents or nationals. The figures in brackets in the final column represent the proportions of the total market if allowances are made for these constraints.

473 AMER TEL & TEL
 131 AMERADA HESS
 093 AMERICAN BRA
 100 AMERICAN BAN

434 AMERICAN STAGE
 439 AMERITECH.....
 501 AMES DEPT STO
 501 AMES DEPT STO

1

CIR-22	OPACITE	260	REALTATIVA DI RESP	161	PERIGUNA DI RESP
CIR-22	OPACITE RESP	260	REALTATIVA M2	163	PERIGUNA SPA
CIR-102		400	ITALCABLE	223	

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FT-A WORLD INDICES 3

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THE VERY nature of the cross-border market in shares which has mushroomed over the past few years dictates that nobody really knows how big it is.

True, the investors and broker firms which buy and sell shares across national boundaries do employ established stock markets for many of their trades. But no stock exchange is able to break down which trades are purely domestic and which are not.

Just as significant, however, is the fragmented state of the market in shares which does not pass through exchanges. Much business is done on the telephone across borders, with no established methods for processing or supervision.

Some efforts have been made to determine which shares have a liquid market outside their own borders—but the volume of trade still remains largely unknown.

What is clear, however, is that it is growing and that increasing efforts are being made to harness it.

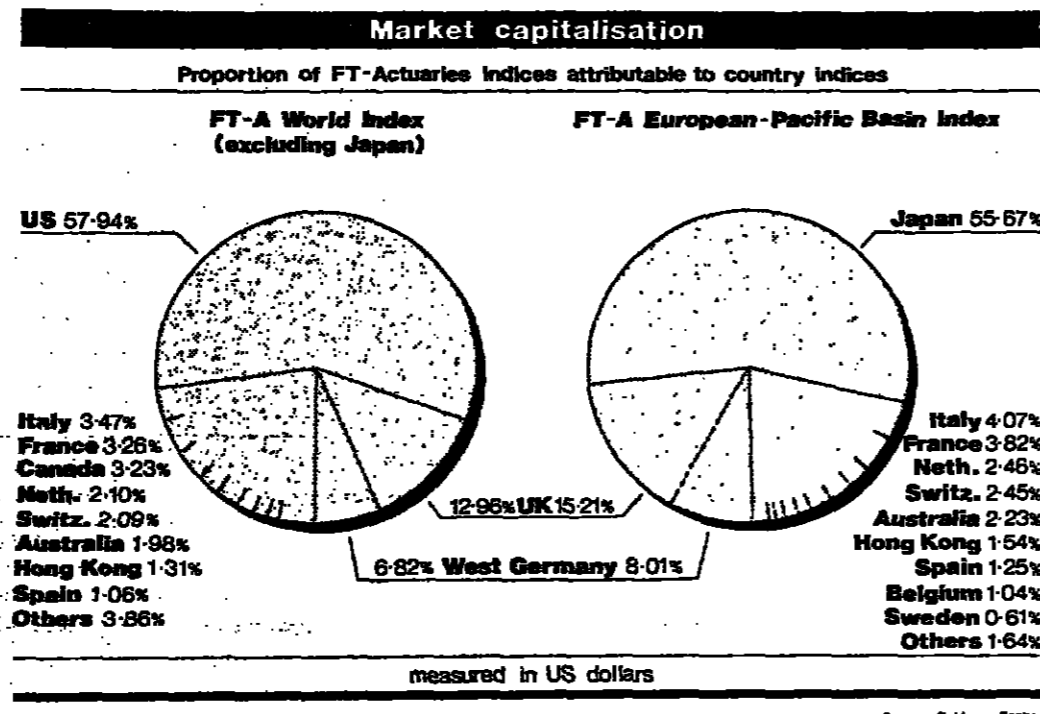
By the end of last year, US pension funds had over \$42bn invested abroad, nearly three times the figure only two years previously, according to figures from InterSec Research, a Stamford, Connecticut-based consultancy. This is still a very small amount compared with the funds of perhaps \$2,000bn under their control, but it certainly indicates a new emphasis in a previously insular industry.

Institutional investors have looked outside their own borders for several reasons, of which one of the most powerful for dollar-based investors has been the fall of the dollar. This has made already attractive markets positively compelling: last year, for example, the Tokyo stock market rose an impressive 50 per cent in yen terms, but a staggering 87 per cent in dollar terms.

Other factors which apply to institutions globally are:

o The very strong performance of many stock markets over the past few years. The figures speak for themselves: world stock markets, as measured in dollar terms by the Morgan Stanley Capital International Index, rose 37 per cent in 1985 and 39 per cent in 1986. European shares rose 73 per cent and 84 per cent in those two years. The advantages of spreading a portfolio across the world market are obvious.

o Institutional fund managers have felt themselves increasingly beset by competi-



tion. More is demanded of the short-term performance of their investments, and surging stock markets outside their own country cannot therefore be ignored. Managers have also been spurred into putting more of their investments into equities, instead of keeping them tied up in safe, relatively low-yielding bonds.

o The strides made by technology have provided institutions with instant windows on to world markets. Though there remains some way to go before all the information they need is both reliable and instantly available, investors can be reasonably assured that they can keep up to date with share prices abroad and with the news that is likely to affect those prices.

o The big securities firms which serve the institutions have themselves sought global reach through a presence in all the major markets, enabling them to provide more efficient trading capabilities as well as research.

Despite all this, however, it is not yet clear to what extent institutional investors use foreign markets to trade. Last year, for example, the majority of the rise in the InterSec pension fund figures could have been accounted for simply by a rise in the value of previously held investments.

In general, institutions have become more active traders: the arbitrage and other strategies now employed on Wall Street, with the considerable assistance of computers, have pushed volume there to previously unthinkable levels. In London, the fall in transaction costs and heightened competition after last October's Big Bang reforms have contributed to record volume.

Trading in continental stocks in London is reported to have grown substantially as a spin-off of Big Bang. It is often said, for example, that business in Swedish stocks is larger in London than it is on the Stockholm bourse. The general rule, however, is still very much that the domestic market for each stock is the prime determinant of its price.

Other phenomena indicating more sophisticated use of the international market by institutions are also beginning to emerge. In the London market, for example, institutions now frequently trade whole portfolios of stocks with brokerage houses who have little idea of the contents. This practice is already rapidly being applied to portfolios spread across a number of countries.

There remain, however, serious problems hampering the growth of the cross-border trading market.

First, the liquidity of many individual stock markets is either inadequate or unreliable. This is bound to be seen as a drawback by institutional fund managers who, in an increasingly performance-oriented world, need to be sure that they can get out of their investments just as easily as they get in.

Second, the processing of international trades is notoriously inefficient. By some estimates, as many as 40 per cent of cross-border trades fail to be completed because incorrect information is passed, or is claimed to have been, between the many parties—investors, brokers, banks, custodians and clearing systems—involved in such a deal. Even if trades succeed, they are likely to be very costly. This problem is currently the subject of an intensive drive, both by established stock exchanges and by outside operators who have spotted an opportunity to capture the global market.

Third, the market is so fragmented that investors must sometimes wonder whether they are dealing at the best prices, and whether there is proper oversight of the brokerage firms with which they are dealing. The London Stock Exchange is planning to attack this problem with a new technological system which will aim to make London the focus of international share trading, both centralising and boosting its liquidity. The market will also have supervision in that it will be subject to the investor protection provisions of the new UK Financial Services Act—though the provisions are less tough for professional than for small investor business.

Fourth, investors outside the US lack liquid risk management instruments, such as stock index futures and options, which would enable them to adopt more complex investment strategies.

Alexander Nicoll

Private pension assets

Estimated size and non-domestic exposure (Year-end 1980 and year-end 1986, in \$bn equivalent)

	1986		1980	
	Holdings of Total Assets	Percentage of Foreign Securities	Holdings of Total Assets	Percentage of Foreign Securities
United States	\$1250.0	45.0	\$330.0	3.3
Japan	145.0	14.5	10.0	0.4
United Kingdom	243.0	58.6	108.0	9.7
Netherlands	85.0	8.5	38.0	1.5
Canada	62.0	5.8	29.6	2.0
Switzerland	65.0	3.3	33.0	1.3
West Germany	48.0	1.9	25.0	0.5
Australia	12.0	1.8	15.0	5.0
France	12.0	0.2	1.7	4.0

Figures include both equity and debt; equity at market value and other assets at book value. Amounts converted to U.S. dollars for each year at the then-effective exchange rates. Source: Goldman Sachs.

Non-domestic investment

as a percentage of private-sector pension assets: 1980-1990

	1980	1985	1986	Projected 1990*
United States	1%	3%	4%	8%
United Kingdom	9	18	20	25
Japan	1	8	10	20
Netherlands	4	9	10	15
Canada	7	8	9	10
Switzerland	4	4	5	8
Germany	2	3	4	6
Australia	0	8	15	20
South Africa	0	0	0	0
France	1	2	2	3
Denmark	0	0	0	1
Ireland	20	20	20	20
Hong Kong	60	60	60	65
Belgium	25	30	30	35
Norway	0	0	0	0
Malaysia	0	0	0	0
New Zealand	0	0	0	0
Philippines	0	0	0	0
Rest of the World	2	3	4	5

*Percentage of Total Pension Assets. Note: 1990 projections assume no changes in foreign investment restrictions where they now exist. Preliminary estimates by InterSec Research Corp.

Source: Goldman Sachs

Performance measurement

A growing band of clients

THREE COMPANIES dominate the international investment performance measurement business. Two are American-based: the pension fund consultants Frank Russell, and the specialised international diversification consultants InterSec Research.

The third is the Edinburgh-based WM Company, formerly an arm of brokers Wood Mackenzie but now separately constituted and owned (the WM is now said to stand for world markets).

Oddly, only one of these, WM, is a major force in its own national market. For the Americans, overseas measurement has evolved separately from the domestic activity which is dominated by Stimulated Environments Inc (SEI) and several of the big trust banks.

Some of these banks are now expanding their international coverage, but are a long way behind the leading three which have built up their essential client bases or "universes."

Pension funds are the major clients for performance measurement services, basically because trustees need to monitor the achievements of the external managers who have been hired to run funds (or parts of them).

Trustees are therefore willing to pay fees of a substantial size in order to determine not only overall performance, but sometimes also to get an independent check on the strategies employed by the managers and on the risks assumed by them.

Investment management companies are also potential clients, and consultants like InterSec are seeking to sell a variety of complex portfolio analysis services to them.

The big factor for the managers, however, is the need to get into the performance league tables as a preliminary to marketing to new clients. At Frank Russell and InterSec measurement tends to be associated with a manager selection role, though WM has stood aside from this, arguing that the functions should be separate.

Other potential clients for global performance measurement include national investment funds, like those of Kuwait and Brunei, although consultants are not allowed to discuss any connections with such secretive clients.

With mutual funds, the performance can be tracked fairly easily from published

unit prices by, for instance, magazines.

Measurement, therefore, does not tend to be a high value-added service of the kind provided by the specialised operators although another American company, Lipper Analytical, markets an offshore fund measurement service.

It is notable that independent performance measurement has until now been largely confined to the US and the UK, together with international funds with beneficiaries in those countries.

But there are now expectations that other countries will become important client sources, notably Japan, where overseas investment is now exploding as a consequence of that nation's persistent trade surplus.

On the continent of Europe, the signs remain fairly negative in Switzerland. That country has long been a major force in the international portfolio management business, but it has sold its services on the basis of security and asset preservation rather than index-beating growth.

The Swiss, generally speaking, are not enthusiastic about having their performance measured. The feeling is that, if pushed, the Swiss banks will set up their own measurement service.

More positive attitudes, however, are reported from the Netherlands, also a nation with a long tradition of overseas portfolio investment. For instance, WM has picked up some 25 Dutch funds as clients, and has just opened an office in Amsterdam.

Around the world, a very substantial volume of international investment money is now being measured. The objective is to assess the extent to which international fund managers are making the most of the available opportunities, taking into account the risks they are incurring and the fees they are charging (which are substantially higher than for domestic management).

Naturally, this is a complex procedure which has to take into account currency movements as well as fluctuations in the levels of individual national markets. Bond fund measurement also has to take very careful note of the different yields available in different markets.

For equities there are two main approaches. One is to compare performance to an index, such as the established Morgan Stanley Capital International World Index (or one of its derivatives).

The FT-Actuaries World Index will also be a possible yardstick from now on, although it will obviously be some time before it is capable of being used for three-year or five-year performance assessments, the kind of time span needed to give managers a chance to show their paces.

The other approach is to compare performance with the "universe" of other similar managers, which may be necessary when international managers diverge from index performance as they have.

seriously, in the Japanese market in the past two or three years.

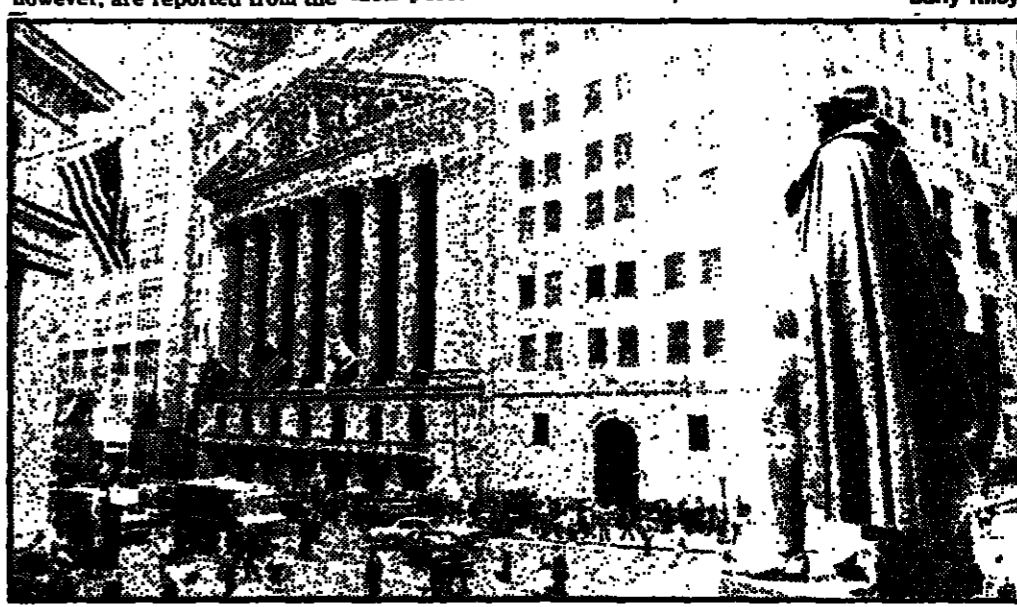
There are good and bad reasons for this. Often foreign investors are excluded from certain kinds of investment, which make it impossible for them to match an index with any precision.

But sometimes international managers will simply get a national market wrong (at least in terms of short-term timing), because they are not tuned into the key factors which affect local values. The Japanese market has proved a particularly severe test in this respect. If active managers get out of line too often they will run the risk of seeing their business poached by the index fund.

Moreover, managers of international funds are by no means always pursuing the same objective. Global mandates are comparatively rare, and for ERISA managers non-US mandates are more usual.

This is why the new FT-Actuaries World Index will include various regional and exclusive sub-indices (such as the world excluding the US) to provide appropriate yardsticks for fund managers following specialised mandates.

Barry Riley



Two Wall Street firms and Britain's Wood Mackenzie dominate international performance measurement



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FT-A WORLD INDICES 4

Funds matched to the stock market index have grown strongly in the US, Britain and Japan

Surge of interest in passive funds

STOCK MARKET indices and their individual constituents have taken on a much more sensitive character over the last three years as a result of the upsurge in the popularity of passively managed index-fund matching funds on both sides of the Atlantic and Pacific.

A fund which matches the stock market index aims to give its clients a return in line with the average returns from the market measured by the index, without the manager having to select any stocks or make other investment decisions.

Such funds were started in the US in the mid-1970s in response to the accumulating statistical evidence that most traditional active fund managers achieved returns significantly below the returns on the index. The substantial under-performance of active US fund managers in the three years from 1983 to 1985—there was a small out-performance by the average fund manager in 1986—has led to a boom in passive funds.

In the UK, index funds linked to the FT-Actuaries All Share index have started to be marketed only in the last three years. As in the US, their growth is connected with the rise of actuarial performance

measurement services, which have demonstrated a consistent pattern of underperformance by about 80 per cent of UK fund managers.

In addition, there has been a growth of interest in modern portfolio theory and the quantitative methods of analysing the risk and expected return from equity portfolios on which most forms of passive management are based.

The most recent factor behind the success of index funds has been the Big Bang reforms in the London Stock Exchange. These have allowed dealing costs by more than 50 per cent for those investors, such as passive fund managers, who require no research or other stockbroking advice.

The most recent country to show an interest in index funds has been Japan. Since late 1985, all the large securities houses have set up their own index funds for Japanese investors, who have become used to exceptionally poor performances from the investment managers of the investment trusts and pension funds. Nikko Securities has also set up an index fund investing in the Japanese stock market for foreign investors.

The simplest and most popular

form of index fund in all three countries is that which aims to track the returns on the national stock market as a whole. However, international index funds are now being marketed actively in the US, linked to a pre-selected number of foreign stock markets and have attracted about \$3bn. For example, Wells Fargo Investment Managers in California, the largest index fund managers in the world with \$65bn under management, now has \$600m in its international fund which covers nine stock markets and 680 stocks. An attempt to launch a similar fund in the UK last year, however, collapsed.

Whatever index is chosen, professional managers use one of three different methods to track it.

One is complete replication. This involves buying every stock that makes up the index in its correct proportion and maintaining that proportion throughout the year, whenever dividends are paid. This method ensures that the returns on the index are achieved precisely, but only after allowance is made for transaction costs. These costs can add up to as much as 0.4 per cent of assets per year.

Wells Fargo has been able to reduce these costs substantially on their \$25bn. of funds which match the Standard and Poors 500 index. Small dividend payments can be reinvested in those stocks which can be bought cheaply from other in-house clients without unbalancing the fund. In addition, the fund derives income from its stock lending to market makers and speculators who have gone short.

In the UK, the Frank Russell fund, which is managed by the stockbroker firm, Quilter Goodison, has faced greater difficulties in keeping down its costs in investing much smaller sums in all the 740 stocks that make up the All Share index. The Big Bang reforms in October last year have improved cost control.

Because of the transaction costs and logistical difficulties of complete replication, most index funds have preferred the method of investing in a sample of stocks that make up the index, chosen for their representativeness. The most popular method of selecting a sample of stocks—in the UK market 200 to 300 is the norm—is through an analysis of the historic patterns of volatility of all the consti-

tuent the index. The more sophisticated the analysis, the lower the tracking error of a fund's actual returns against the index returns.

Some managers have criticised the fetish of seeking to match precisely the returns on a chosen index which is no more than an approximate barometer of the stock market as a whole. However, once a large amount of money is formally tied to the ups and downs of that barometer, inevitably disputes arise about the constituents of the index.

The most serious disputes concern stocks such as the two giant telephone utilities in the UK and Japan, both of which have recently been privatised. Although the governments have continued to hold substantial stakes in the companies, the shares have been given full weightings in the relevant indices as if 100 per cent of the shares were available to investors. Index funds have been under-weight in these stocks and have consequently under-performed the index when their prices have shot up, immediately after the flotation dates. Indeed, part of the price rise has been due to the attempts of index funds and

other portfolio investors to achieve a full weighting in the stocks.

The influence of index funds has also made itself felt on smaller stocks which suddenly find themselves subject to strong buying pressures because of their inclusion in a widely-followed index.

The greatest buying distortions in share price movements, it is feared, arise from another development in quantitative investment techniques, portfolio insurance. This is a technique for creating a synthetic put-option on, typically, the stock market index, by switching assets between shares and cash so that investors never suffer a loss in their capital (or only a pre-determined maximum loss) even if the stock market collapses.

As much as \$80bn in the US is now estimated to be tied up in portfolio insurance schemes which are usually, but not always, linked to a passively managed fund. However, the weight of money switching out of shares into cash as the market falls (and into shares as it rises) is now so great as to exaggerate stock market swings to a dangerous extent.

Clive Wolman

Industrial classifications for the FT-Actuaries World Indices

112 Commercial Banks and Other Banks	472 Publishing
120 Financial Institutions & Services (Composite)	473 Publishing—Newspapers
121 Financial Institutions	474 Broadcasting Media
122 Financial Services	475 Advertising
131 Investment Companies	481 Business Services & Computers (Composite)
140 Insurance—Life & Agents/Brokers (Composite)	482 Business Services
141 Insurance—Life	483 Computer Software & Services
142 Insurance—Agents & Brokers	484 Retail Trade (Composite)
150 Insurance—Multiline/Property & Casualty (Composite)	485 Retail—Department Stores
151 Insurance—Multiline	486 Retail—General Merchandise
152 Insurance—Property & Casualty	487 Retail—Grocery Chains
161 Real Estate	488 Retail—Drug Chains
171 Diversified Holding Companies	489 Retail—Miscellaneous/Specialty (Composite)
181 Investment Trusts	510 Wholesale Trade (Composite)
	511 Wholesale—Durable Goods
	512 Wholesale—Non-durable Goods
	Capital Goods
	520 Aerospace/Defence Composite
	521 Aerospace/Defence
	522 Defence Electronics
	523 Aircraft Manufacturers
	530 Computers/Communications Equipment & Office Equipment (Composite)
	531 Computers
	532 CAD/CAM/CAE
	533 Communications Equipment
	534 Office Equipment
	541 Electrical Equipment
	550 Electronics & Instrumentation (Composite)
	551 Electronics
	552 Instrumentation/Control Equipment
	553 Machinery & Engineering Services (Composite)
	561 Engineering Services
	562 Machine Tools
	563 Machinery
	564 Machinery—Construction
	565 Machinery—Farm Equipment
	566 Machinery—Industrial/Specialty
	570 Auto Components (Composite)
	571 Auto Parts—Original Equipment
	572 Auto Parts—After Market
	573 Auto Trucks & Parts
	574 Tyre and Rubber Goods
	581 Plastics Control
	582 Diversified Industrial (Manufacturing)
	592 Heavy Engineering and Shipbuilding
	Basic Industries
	610 Construction & Building Materials (Composite)
	611 Building Materials
	612 Ceramics
	613 Construction
	614 Homebuilding
	620 Chemicals (Composite)
	621 Chemicals including fibres, paints, industrial gases
	622 Chemicals (Diversified)
	624 Fertilisers
	630 Mining (Composite)
	631 Mining & Extractive Industries
	632 Metal Ore Mining
	633 Iron and Steel
	634 Non-ferrous Metals
	641 Precious Metals & Minerals
	650 Forestry and Paper Products (Composite)
	651 Forestry Products
	652 Paper and Paper Products
	661 Iron and Steel
	662 Non-ferrous Metals
	671 Fabricated Metal Products
	672 Containers
	Consumer Goods/Services
	401 Automobiles
	402 Household Durables & Appliances
	406 Diversified Consumer Goods/Services
	410 Textile and Wearing Apparel (Composite)
	411 Apparel
	412 Textile Products
	413 Footwear
	420 Beverages
	421 Beverages—Brewers
	422 Beverages—Distillers
	424 Beverages—Soft Drinks
	425 Tobacco Manufacturers
	430 Health & Personal Care (Composite)
	431 Health Care
	432 Cosmetics
	433 Drugs
	434 Hospital Supply/Management
	440 Agriculture & Fishing
	450 Foods & Grocery Products (Composite)
	451 Food Processors
	452 Food—Sugar/Confectionery
	453 Soaps
	460 Entertainment/Leisure/Toys (Composite)
	461 Entertainment & Leisure Time
	462 Toys
	463 Photography
	464 Restaurants and Hotels
	470 Media (Composite)
	471 Printing

A booklet giving details of the index coverage and selection process, together with technical appendices, is available from Steven H. Nagorsky, Goldman Sachs & Co., 85 Broad Street, New York, NY 10004, USA. Tel. 212 502 5777. Telex 421344 GOLSAX.

Separate economic sector groupings

An index to track industry

AS WELL AS the country indices, which will be calculated every night by the Financial Times, there will also be a series of international industry indices which will be the responsibility of Goldman Sachs and Wood Mackenzie. These, too, will be calculated daily, although it is not the present intention to publish them in the newspaper.

Every constituent of the World index has been placed into one of seven broad economic sector groups: financing, insurance and real estate; energy; utilities; transportation and storage; consumer goods and services; capital goods, and basic industries. These broad groupings will be further broken down into some 40 sub-groups, showing sectors such as automobiles, real estate, chemicals or electrical equipment.

As with the country indices,

the industry indices will be worked out in different currencies—local, sterling, and the US dollar. And they will be produced on a local as well as a regional and worldwide basis. Thus it will be possible, for instance, to track the performance of shares in Japanese commercial banks against those in the Pacific region and against an overall world index.

The need for such international comparisons again comes from the broadening horizons of fund managers, and from the increasingly global nature of some industries. For example, the strong rise in the price of UK pharmaceutical companies in recent months has been at least partly to do with the fact that they looked cheap relative to their competitors in Japan.

Fund managers who want to take a view on the chemical in-

dustry are nowadays likely to do so on an international basis: it is no longer enough simply to buy or sell shares in the local industry leader. The new international indices will provide a broad set of benchmarks for such investors.

Allocating shares to the right industry sub-groups has obviously been a big exercise, and one which will require further refining. There is great scope for blunders contrary to US assumptions. Body Shop is not a repair chain for rusty automobiles, but a UK retailer of nice smelling things for females (and males). And some fairly arbitrary decisions have had to be made where large companies have important interests in several different industry sub-groups.

Goldman Sachs and Wood Mackenzie have used their own analysts to categorise all the

different companies, and they have received much valuable help from the investment management groups on the World Index policy committee and from correspondents in each local market.

Several possible groupings were abandoned, usually because there were not enough companies to make the exercise meaningful. Further surgery will be necessary in the future, to take account of local changes in the structure of particular industries.

This is another case where the index policy committee is hoping that users will play an important part in refining and improving the product. The industry classifications shown with the list of constituents are seen very much as a first shot at a difficult target.

Richard Lambert



Highly international industries such as pharmaceuticals will be easier to follow

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday March 17 1987



Buoyant Peugeot may seek fresh equity

BY PAUL BETTS IN PARIS

PEUGEOT, France's leading private enterprise, is expected to raise fresh equity capital later this year, reflecting the car group's financial recovery.

Mr Jacques Calvet, chairman and architect of the group's recovery, confirmed that a possible new equity raising operation was being studied. He was particularly interested in a recent series of equity issues by a number of large French groups, including the BSN food group and the Moët-Hennessy champagne and cognac concern.

In both cases, the groups launched capital raising operations designed to defend themselves from takeover bids. Mr Calvet, who acknowledged that a hostile attack on Peugeot was unlikely at present, said he was still concerned to protect the overall shareholding balance of the car group.

Peugeot is expected to report a group profit of about FF2.2bn (\$323m) or more next month, with its two main divisions Peugeot and Citroën, solidly in profit. It has a current market capitalisation of about FF2.2bn.

Peugeot's main shareholders - including the Peugeot family with 28-30 per cent of the shares and Michelin with nearly 9 per cent - also own double voting rights giving them comfortable control of the group's capital.

However, Mr Calvet suggested that "anything can happen in the car business" and he would feel more comfortable "if I felt I had covered myself against all possibilities, even the most extreme and unlikely ones."

He had been particularly interested by the FF2.5bn Eurofranc issue with equity warrants launched

by Moët-Hennessy last week to help it defend itself from a possible takeover at the same time as boosting the company's capital resources over a three-year period to make large acquisitions of its own.

Although Peugeot has no plans, fresh equity funds would help finance its internal development. Mr Calvet said Peugeot intended to continue improving its balance sheet by negotiating flexible multi-option financing facilities in countries where it has large commercial or industrial operations.

The group recently secured such a facility for Pta 7.5bn (\$58m) from a group of Spanish and international banks and plans to launch a similar facility in France.

Peugeot is also to announce the payment of a dividend this year to mark its recovery - the first payout in six years. After the earlier recovery



Mr Jacques Calvet: "Anything can happen in the car business"

of the Peugeot division Mr Calvet confirmed that Citroën had also recovered. It is expected to report a profit for 1986 of between FF2.25bn and FF2.50bn and should see earnings increase further this year.

Mr Calvet said he had set Citroën an ambitious four-year target of substantially increasing its French and European market penetrations.

Lanerossi poised for share sale to public

By John Wyles in Rome

THE PRIVATISATION of the once deeply troubled Lanerossi textile group is to be launched this week with advertisements in newspapers in Italy and abroad.

With five companies, 12 production plants and 7,000 employees registering a turnover of L580bn (\$444.9m) in 1986, Lanerossi represents an important privatisation exercise for the state-owned Eni petrochemical group.

Although the Government's approval appears to be based on a preference for disposing of Lanerossi as a single entity, Eni is ready to sell off separately its constituent companies - Lanerossi, Mariane, Leholdemoda, Cestari di Sondrio and Cressoni Jans di Matelica.

Mr Franco Reviglio, Eni chairman, expects strong interest from a number of Italian and overseas companies. He has defined a procedure which limits potential purchasers to industrial companies whose value-added is 20 per cent of Lanerossi's and financial holding companies with a net worth of 40 per cent of that of the textile group.

Interested parties can apply for initial data on Lanerossi, but detailed information will be released only on a promise of confidentiality. Those wishing to go ahead should then provide an outline valuation of the group of individual companies together with any development plans.

These proposals would then form the basis for an invitation from Eni to make a formal bid.

Prospective buyers will be told that Lanerossi has moved from net losses of L28m in 1983 to a profit of L1.4bn last year. Self-financing capacity has changed from a negative L71.7bn in 1983 to a positive L18.6bn last year.

IFC and Shearson plan Manila investment fund

BY WILLIAM HALL IN NEW YORK

THE INTERNATIONAL Finance Corporation (IFC), the private enterprise arm of the World Bank, and Shearson Lehman Brothers, the New York brokerage firm, plan to raise up to \$250m for a new investment fund which will specialise in Philippine investments.

The IFC, which is anxious to encourage the development of local capital markets in Third World countries, confirmed yesterday that it was working on a fund of between \$125m and \$250m.

Last year the IFC launched a \$50m emerging Markets Growth Fund, a closed-end mutual fund

which specialises in investing in the stock markets of newly developing countries.

According to reports from Manila, the new investment vehicle will be called the First Philippine Capital Fund, and its launch has been delayed partly because the Philippine Government is rescheduling about a third of its \$27.8bn foreign debt.

Mr Jaime Ongpin, the Philippines' Finance Secretary, is understood to have proposed the fund during a trip to the US last September. His plan is said to have called on private investors to raise funds

to buy discounted obligations of Philippine borrowers from creditors and convert them to equity in local projects.

With several of the world's major stock markets hitting all-time highs in recent months, some investors have been looking increasingly closely at smaller stock markets in developing countries where they believe there is more scope for capital appreciation.

During the past few months the Templeton and Gertman Fund management groups have established new investment funds specialising in Third World markets.

MIM buys W. German copper smelter stake

BY ANDREW FISHER IN FRANKFURT

MIM HOLDINGS, the Australian mining and minerals concern, is to take a 30 per cent stake in Norddeutsche Affinerie, the West German company which operates the largest primary copper smelter in Europe.

Norddeutsche Affinerie's shares are owned by three German companies, Metallgesellschaft and Degussa with 40 per cent each and Preussag with 20 per cent. The refining company employs 3,200 people in Hamburg.

Initially, the Australian group will acquire the Preussag stake and 10 per cent of the Degussa interest by the issue of MIM shares to the two German companies.

Later, Metallgesellschaft and MIM will adjust their respective 40 per cent and 30 per cent holdings so

that each has 35 per cent. This will also be carried out through share exchanges. No value was given for the deal.

Norddeutsche Affinerie, which also produces other metals and chemicals, has a nominal capital of DM 105m (\$57m).

The deal is part of the growing international spread of interests in Metallgesellschaft, in which MIM has a stake of slightly more than 1 per cent. The German company holds a similar amount of MIM stock.

Australian Mutual Provident, the insurance group, also owns around 5 per cent of Metallgesellschaft, which has said it expects net profits for the year to end-September 1986 to be slightly higher than the previous year's DM 61.4m.

Avia shareholders act to block Reebok bid

BY OUR FINANCIAL STAFF

A GROUP of shareholders in Avia Group International, the Oregon-based footwear producer, has filed a class action suit in an Oregon circuit court seeking to halt the \$180m sale of the company to Reebok International, the fast-growing US athletic footwear and clothing manufacturer.

The stockholders are also seeking compensation from the defendants, who include most of Avia's directors, according to court papers.

The suit grew out of a meeting of several dissatisfied minority stockholders of Avia following the announcement of Reebok's proposed acquisition and the subsequent sudden drop in the price of Avia stock.

Reebok is 37 per cent owned by Portland Industries of the UK.

The complaint reviews the price of Avia stock from March 1986 and noted the plaintiffs, who purchased stock between \$19 and \$25 a share. The price fell from \$24 to \$16.50 a share following Reebok's announcement that it had agreed to pay \$18.35 a share for the group.

The complaint was filed on behalf of Mr Clem Eischen, a Portland-area resident, who owns 500 shares of Avia, and Mr Robert Withers, also of the Portland area, who owns 954 shares, and others who held stock at the time of Reebok's announcement. A jury trial has been requested.

Avia said it had not seen the court papers and had no comment on the suit.

Dixons sells Woolworth shares

BY STEPHEN FIDLER AND CHRISTOPHER PARKES IN LONDON

DIXONS GROUP, Britain's largest electrical retailer, yesterday sold most of its 45 per cent stake in Woolworth Holdings, in a move that seemed to put paid to any lingering fears that it might still harbour ambitions to bid again for the reviving retailing giant.

The 8.3m shares were disposed of in a rapid-fire so-called block trade operation early yesterday.

Salomon Brothers, the US investment bank, which bought the entire block from Dixons for 81p each,

said it placed them with 45 or 50 institutions within 45 minutes.

Dixons, which still holds 1m Woolworth's shares, said it had "more or less broken even" on the deal, after allowing for holding costs and the £11.7m extraordinary cost of last year's failed £1.8bn takeover bid for Woolworth.

Mr Richard Kalms, corporate affairs director, said Dixons had started building its stake about a year ago, paying 69p to 70p a share. The main reason for the sale

was the price, he added. Woolworth's shares have been moving steadily upwards since last October. Yesterday, however, they closed 10p down at 81p. Dixons shares were 21p off at 37p.

UK institutions snapped up most of yesterday's placing, and significant numbers of shares went to institutions in Japan and Europe.

Only a small number went to the US because of the timing of the deal, launched at about 8am, London time.

Conrail lifts estimate of offer price

BY OUR NEW YORK STAFF

THE US Government may receive more than it expected when it sells off Conrail, the state-owned railroad, to the private sector over the next few weeks.

Conrail yesterday filed an amended statement with the US Securities & Exchange Commission (SEC) raising the estimated offer

price to between \$26 and \$29 a share.

When it first filed details of its proposed initial public offering of 58.8m shares, of which 8.75m will be sold overseas, Conrail estimated that the offering price would range between \$22 and \$26 a share.

The sale of the US Government's

85 per cent stake in Conrail is expected to be one of the biggest stock market offerings in the history of Wall Street.

Assuming an offering price of \$27.50, Conrail would be selling at roughly nine times historic earnings.

All these securities having been sold outside the United States of America and the United Kingdom, this announcement appears as a matter of record only.

New Issue

January 1987

Standard Chartered

STANDARD CHARTERED BANK
(Established by Royal Charter under the laws of England)

4% Capital Bonds 1987-1997
of Swiss Francs 300 000 000

irrevocably guaranteed on a subordinated basis by,
and with Warrants to procure the issue of shares in,

STANDARD CHARTERED PLC
(Incorporated under the laws of England)

HandelsBank N.W.

Bank von Ernst & Cie AG
Banca del Gottardo
Banque Privée Edmond de Rothschild S.A.
La Roche & Co., Banquiers
Schweizerische Hypotheken- und Handelsbank
Wirtschafts- und Privatbank

Aargauische Hypotheken- und Handelsbank
Banque Vaudoise de Crédit
Bank in Gossau
Bank in Menziken
Bank vom Linthgebiet
RegioBank beider Basel
EKO Hypothek- und Handelsbank
Luzerner Landbank AG
Banque CIG Union Européenne en Suisse S.A.
Bank in Liechtenstein Aktiengesellschaft
Genossenschaftliche Zentralbank AG

Standard Chartered Bank AG

Swiss Cantobank (International)
Clariden Bank
Goldman Sachs Finanz AG
Société Bancaire Julius Baer S.A.
Bank Heusser & Cie AG
Banque Paribas (Suisse) S.A.
J. Henry Schroder Bank AG
Kreditbank (Suisse) S.A.
Royal Trust Bank (Switzerland)
Shearson-Lehman-Amex Finance S.A.
Banque Kleinwort Benson S.A.
Compagnie de Banque et
d'Investissements, CBI
Fuji Bank (Schweiz) AG
Morgan Stanley S.A.
Nomura (Switzerland) Ltd.
Salomon Brothers Finanz AG
Banque Bruxelles Lambert (Suisse) S.A.
Banque Indosuez
Nordfinanz-Bank Zürich
Yamaichi (Switzerland) Ltd.
Chase Manhattan Bank (Switzerland)
Commerzbank (Schweiz) AG
Kyowa HB Finanz AG
Sanwa Finanz (Schweiz) AG

These securities having been sold, this announcement appears as a matter of record only.

New Issue

March 1987

1,750,000 Shares

Pan Atlantic Re, Inc.

Common Stock

Dillon, Read & Co. Inc.

Bear, Stearns & Co. Inc.

Drexel Burnham Lambert

Kidder, Peabody & Co.

Montgomery Securities

Robertson, Colman & Stephens

Salomon Brothers Inc

Wertheim Schroder & Co.

Arnhold and S. Bleichroeder, Inc.

Paribas Corporation

Swiss Bank Corporation International

The First Boston Corporation

E. F. Hutton & Company Inc.

Merrill Lynch Capital Markets

PaineWebber Incorporated

L. F. Rothschild, Unterberg, Towbin, Inc.

Smith Barney, Harris Upham & Co.

Dean Witter Reynolds Inc.

Cazenove Inc.

Deutsche Bank Capital

Sogen Securities Corporation

UBS Securities Inc.

Fox-Pitt, Kelton Inc.

INTERNATIONAL COMPANIES and FINANCE

U.S. \$125,000,000



Oil and Natural Gas Commission

Guaranteed Floating Rate Notes Due 1996

Unconditionally and irrevocably guaranteed as to payment of principal and interest by

India

Acting by its President

Interest Rate 6 3/4% per annum
Interest Period 16th March 1987
16th September 1987
Interest Amount per U.S. \$10,000 Note due 16th September 1987 U.S. \$345.00

Credit Suisse First Boston Limited
Agent Bank

U.S. \$100,000,000

BBL (Cayman) Limited

Guaranteed Floating Rate Notes Due 2000
Unconditionally guaranteed by

Bangkok Bank Limited

(Incorporated with limited liability in the Kingdom of Thailand)

Notice is hereby given that the interest payable on the relevant Interest Payment Date, April 14, 1987 for the period October 14, 1986 to April 14, 1987 against Coupon No. 4 in respect of US\$100,000 nominal of the Notes will be US\$314.39.

March 17, 1987, London
By: Citibank, N.A. (CSI Dept.), Agent Bank

CITIBANK

Svenska Cellulosa edges ahead despite jump in turnover

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SVENSKA Cellulosa (SCA), one of the leading Swedish forest products groups, increased its profits by only 6 per cent in 1986 despite a jump of 21 per cent in group turnover.

However, the group yesterday forecast "an improvement of some significance" in group earnings this year.

SCA said the current business year had begun with continued good demand for most forest industry products and price levels higher than a year ago.

The group expects production to rise in 1987 with mills operating at high capacity levels, which should significantly boost the earnings of the pulp and paper and paper products divisions.

Last year group turnover rose 21 per cent to SKr 15,220m (\$2,380m) from SKr 12,580m a year earlier.

Profits, before extraordinary items, allocations and tax, rose 6 per cent to SKr 1,300m while operating profits rose 14 per cent to SKr 1,540m. The group is increasing its dividend to SKr 5 a share from SKr 4.40 for 1985.

Prices increased for most products last year although the average price for pulp was lower in Swedish kronor due to the very low prices prevailing at the beginning of the year and weakening dollar.

Operating profits rose sharply by 46 per cent at Mölndals, the group's subsidiary for hygiene products, and by 49 per cent at SCA Packaging while earnings of the group's hydropower operations declined by 19 per cent.

The operating profits of the dominant forest and paper product divisions rose only 6.8 per cent to SKr 903m.

The capital employed in SCA increased substantially last year following heavy capital expenditure totalling SKr 1,560m and spending on new acquisitions totalling SKr 418m.

Last year SCA acquired Edet, a rival Swedish producer of tissues and hygiene products, and majority control of Svand, a forestry and hydropower company in northern Sweden.

Amsterdam merchant bank venture

By Laura Rasin in Amsterdam

KOOIJMAN Securities, a rapidly growing Dutch brokerage firm, and Arab Banking, a Bahrain-based international bank, are launching a merchant bank in Amsterdam 50 per cent owned by each.

The joint venture will be called ABC/Kooijman Capital Markets and will open in June with authorised capital of F112.5m (\$55.8m). It will engage in a variety of activities including management buy-outs, mergers and acquisitions, securities underwriting, stock exchange introductions and money management.

The new merchant bank is aimed at strengthening the presence of institutions in the Amsterdam financial markets which are enjoying new vigour as a result of liberalisation of the capital markets and modernisation of the stock exchange.

Arab Banking took a 5 per cent stake in Kooijman in February 1986 when it went public on the Amsterdam Stock Exchange's parallel market. The two institutions also jointly introduced long-term, over-the-counter equity options last year in Amsterdam.

Kooijman, which has an authorised capital of F112.5m, manages international portfolios and trades Eurobonds through its London subsidiary, Kooijman UK.

CANADIAN CONGLOMERATE SAYS WORST IS PAST

CP sets sights on future

BY ANDREW BAXTER IN LONDON

THE CANADIAN Pacific roadshow rolled into London late last week with a cargo of senior executives hoping to convince City investors that the worst is over for the transport and natural resources conglomerate.

The company's senior management team, headed by Mr William Stinson, president, was touring Europe in an effort to put a brave face on the restructuring of the past few years and to look ahead to a more profitable future.

The Montreal-based conglomerate reported a loss of C\$80m (US\$60.8m) in 1986, after special charges of C\$230m net, and has been hit by losses in its steel and industrial interests, described by Mr Stinson as a "troubled area."

The group's bulk shipping interests had produced "a bath in red ink" in recent years, but CP was now clearing the decks. "We still have problems, and I'm not going to cloud those," Mr Stinson said, "but we've put the worst behind us."

The sales last year of CP's controlling interest in Cominco, Canada's second-largest mining com-



Mr William Stinson: Clearing the decks

pany, and of Canadian Pacific Airlines had been the two most significant moves in 1986 towards reducing the number of CP's businesses and cleaning up its balance sheet.

CP had never made any money in 45 years in the airline business, Mr Stinson said, and while he praised

the airline's management, "there wasn't a wet eye in the house" when the carrier was sold to Pacific Western of Calgary for C\$300m.

Noting the current trend towards consolidation in the US airline business, Mr Stinson said that in a deregulated environment airlines had to grow larger to compete against US carriers and Air Canada, the state-owned carrier.

On the railway operation, Mr Stinson said CP was reasonably confident of winning changes to forthcoming federal legislation on transport.

The company is particularly keen to have greater flexibility on cost reductions, giving it the ability to sell branch lines to small operators without "going through years of red tape."

CP's Sea Line railroad in the US was hoping to sell a package of branch lines.

On CP's future, Mr Stinson said: "You can assume that there will be further restructuring. It would also be to find another 'core business' in a non-cyclical area but was 'only just starting to look'."

Sabaudia to raise L350bn

By Alan Friedman in Milan

SABAUDIA, one of the key holding companies of Mr Carlo De Benedetti, yesterday announced plans to raise L350bn (\$269m) on the Milan bourse.

The Sabaudia rights issue is intended to be the largest fund-raising operation launched by Mr De Benedetti's group this year.

The offer calls for the issue of 200m ordinary and voting shares, at L1,750 each, to be offered on the basis of two new shares for every three ordinary or savings already held.

Sabaudia controls key equity stakes in the Ferruzzi group's Agnola subsidiary (4.13 per cent), in Generali insurance (1.07 per cent), Credito Romagnolo (1.88 per cent), the L'Espresso publishing group (17 per cent), the Mondadori publishing group (21.18 per cent), Firalto SpA (3.16 per cent), Euroimobiliare, the merchant bank (18.8 per cent) and other companies.

Yesterday Sabaudia revealed a 1986 net profit of L30bn, against L18bn earned in 1985.

Epeda in bid for French arms company

By George Graham in Paris

EPEDA-Bertrand Faure, the leading French producer of beds and car seats, is launching a takeover bid for the armaments company Luchaire.

Both companies' shares were suspended yesterday on the Paris Stock Exchange pending announcement of the terms of the paper bid. Luchaire's shares and warrants will remain suspended until further notice, but Epeda's will be quoted again today.

Luchaire has recently returned to better financial health after a spell of losses, but it was recently implicated in a scandal over French arms sales to Iran.

The company's capital is broadly spread among a number of large French institutions.

Italian bank to pay \$47m for Valley National

By Our Milan Correspondent

ITALY'S Istituto San Paolo di Torino, the country's fourth-largest commercial bank, is paying \$47m to acquire the Valley National Bank of California.

The Turin-based San Paolo said last night that it planned to merge the Los Angeles-based Valley National with the First Los Angeles Bank, which it already owns.

After the merger of the two banks, both controlled via San Paolo's Delaware holding company, the assets of the California banking group will total around \$1bn.

The Valley National was founded in 1937 and has seven branches in the Burbank and Glendale areas of Los Angeles. The First Los Angeles Bank, acquired by San Paolo in 1982, has eight branches.

● Banca Nazionale del Lavoro, Italy's biggest bank, yesterday reported a 1986 net profit of L155m (\$117m), against L146m in 1985.

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N. AMERICAN QUARTERLY RESULTS

INTEGRATED INDUSTRIES GROUP (continued)		JOHN LAMBERT HOLDING	
Fourth quarter	1986-87 1985-86	Fourth quarter	1986-87 1985-86
Revenue	258.2m 251.2m	Revenue	10.0m 9.5m
Net profit	4.4m 4.2m	Net profit	0.5m 0.5m
Net per share	0.35 0.34	Net per share	0.05 0.05
Div. monthly	1.80m 1.80m	Div. monthly	0.10m 0.10m
Net profit	7.4m 7.2m	Net profit	0.22m 0.22m
Net per share	0.65 0.64	Net per share	1.35 1.32

HAMILTON OIL CO (50% owned by Value)		NEW WORLD PICTURES FILM-MAKING	
Fourth quarter	1986-87 1985-86	Fourth quarter	1986-87 1985-86
Revenue	72.8m 104.5m	Revenue	72.8m 37.7m
Net profit	5.1m 6.8m	Net profit	4.7m 2.8m
Net per share	0.12 0.24	Net per share	0.28 0.27
Year		Year	
Revenue	274m 276.2m	Revenue	188.0m 198.0m
Net profit	11m 28.5m	Op. net profit	16.7m 16.0m
Net per share	0.25 0.55	Op. net per share	0.75 0.71

THE CARE AND FEEDING OF A FORTUNE.

A rather wise entrepreneur once remarked that "one may come by one's fortune through birth or through business, but what really matters is how one comes by more of it." We at Shearson Lehman Brothers agree absolutely.

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We make no apologies.

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This network puts at your disposal a 24-hour-a-day work force.

One whose credentials are demonstrated in virtually every financial market.

In trading. In traditional banking expertise. In financial consultancy for the individual investor.

The result: a three-legged stool that enables you to better see how, and where, the economic sands are shifting. TIME.

We believe that success in world markets begins by

investing your time before investing your money.

For us, that process is not achieved by a cursory financial profile, but through a discipline that is ours alone: The Personal Review Outline.®



It is our detailed method of best allocating your assets over the short term and the long. Also, it helps you select from 250 distinct avenues of investment (from

within the U.S. and globally) the ones that balance your portfolio. And, at the same time, give you a good night's sleep.

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To further enhance our clients' wealth, we constantly impart a wealth of ideas. We do it through forecasts, analyses of emerging growth companies, research reports—through information, gathered from every major financial market, that leads some of the world's most serious investors to their decisions.

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We invite your inquiries.

Contact Joe Mara in London at 493-2002.

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MINDS OVER MONEY.®

Fuqua Overseas Finance N.V.
U.S. \$50,000,000
Guaranteed Floating Rate Notes due 1987
Unconditionally guaranteed as to payment of principal and interest by
Fuqua Industries, Inc.
In accordance with the provisions of the Notes, notice is hereby given that for the six months period 17th March, 1987 to 17th September, 1987 the Notes will carry a Rate of interest of 7 1/2% per annum with a coupon amount of U.S. \$322.22 per U.S. \$10,000 Nominal.
Agent Bank
CHEMICAL BANK INTERNATIONAL LIMITED

March 17th, 1987
COMMUNAUTÉ URBAINE DE MONTRÉAL
Communauté urbaine de Montréal
(Montreal Urban Community)
(Canada)
US\$150,000,000
Floating Rate Notes due 1991
In accordance with the terms and conditions of the Notes, notice is hereby given that for the six months from March 18th, 1987 to September 18th, 1987 the Notes will bear interest at the rate of 6 1/2% per annum. The interest payable on the relevant Interest Payment Date, September 18th, 1987 against Coupon No. 7 will be US\$322.22 per US\$10,000 Nominal.
Agent Bank
ORION ROYAL BANK LIMITED
A member of The Royal Bank of Canada Group

SEK
AB Svensk Exportkredit
(Swedish Export Credit Corporation)
US\$125,000,000
Floating Rate Notes Due March 1992
For the six months 16th March, 1987 to 16th September, 1987 the Notes will carry an interest rate of 10% per annum with a coupon amount of US\$511.11 per US\$10,000 Note, payable on 16th September, 1987.
Bankers Trust Company, London
Fiscal Agent

DnC
Den norske Creditbank
U.S. \$150,000,000
Floating Rate Capital Notes due March 1991
In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from March 17, 1987 to September 17, 1987 the Notes will carry an interest rate of 6 1/2% p.a. and the Coupon Amount per U.S.\$10,000 nominal of the Notes will be U.S.\$338.61 and per U.S.\$250,000 nominal of the Notes will be U.S.\$846.52.
March 17, 1987, London
By: Citibank, N.A. (CSI Dept.), Agent Bank
CITIBANK

These warrants having been sold, this announcement appears as a matter of record only.



Currency Warrants
issued by Citibank N.A., Zurich
SFr. 100,000,000
US Dollar call warrants at 1.55 SFr./\$
1987 - 1990

Advisor:

Citicorp Investment Bank (Switzerland)

February 1987

CITICORP INVESTMENT BANK

These warrants having been sold, this announcement appears as a matter of record only.



Currency Warrants
issued by Citibank N.A., London
US\$50,000,000
US Dollar call warrants at 1.82 DM/\$
1987 - 1989

Advisor:

Citicorp Investment Bank Limited

February 1987

CITICORP INVESTMENT BANK

These warrants having been sold, this announcement appears as a matter of record only.



CITICORP INVESTMENT BANK
(SWITZERLAND)
Covered Swiss Franc Warrants
for 4,500,000 shares of
C. Itoh & Co., Ltd.

Structured and managed by:

Citicorp Investment Bank (Switzerland)

The Nikko (Switzerland) Finance Co., Ltd.

Banca del Gottardo Bank Julius Baer & Co., Ltd.

Bank Leumi Le-Israel (Switzerland) AG Banque Indosuez

Banque Kleinwort Benson SA Banque Louis-Dreyfus en Suisse S.A.

Banque Paribas (Suisse) S.A. Baring Brothers S.A.

Chemical N.Y. Capital Market Corporation HandelsBank N.W.

Morgan Stanley S.A. Nippon Kangyo Kakumaru (Suisse) S.A.

Samuel Montagu (Suisse) S.A. Swiss Cantobank (International)

February 1987

CITICORP INVESTMENT BANK

These warrants having been sold, this announcement appears as a matter of record only.



Gold Warrants
issued by Citibank N.A., Zurich
10,000 Warrants
US\$430 per oz. strike price
1987 - 1989

Structured and managed by:

Citicorp Investment Bank (Switzerland)

Underwriters:

Banque Kleinwort Benson SA

Banque Paribas (Suisse) S.A.

Lombard, Odier & Cie

Swiss Cantobank (International)

February 1987

CITICORP INVESTMENT BANK

These warrants having been sold, this announcement appears as a matter of record only.



Gold Warrants
issued by Citibank N.A., Zurich
10,000 Warrants
US\$420 per oz. strike price
1987 - 1988

Structured and managed by:

Citicorp Investment Bank (Switzerland)

Underwriters:

Banque Paribas (Suisse) S.A.

Banque Oppenheim Pierson (Schweiz) AG

Banque Indosuez

Banque Kleinwort Benson SA

Lombard, Odier & Cie

J. Henry Schroder Bank AG

BHF - Bank (Switzerland) Ltd.

March 1987

CITICORP INVESTMENT BANK

All of these securities having been sold, this announcement appears solely for purposes of information.

March 11, 1987

NEW ISSUES

\$1,150,000,000

Allied Stores Corporation

\$200,000,000

10½% Senior Notes Due 1992

\$700,000,000

11½% Senior Subordinated Debentures Due 1997

10,000,000 Shares

\$3.3125 Cumulative Exchangeable Preferred Stock, Series A
(Stated Value \$25 Per Share)

Shares of Preferred Stock will be exchangeable at the Company's option in whole or in part for 13¼% Junior Subordinated Debentures Due 2002 at the rate of \$25.00 principal amount per share of Preferred Stock, provided certain conditions are met.



The First Boston Corporation

Rationalisation helps Suter boost its profits by 57%

BY ALICE RAWSTHORN

Suter, the expansive engineering and distribution group, yesterday reported a 57 per cent increase in pre-tax profits to £14.9m for the 1986 financial year. This growth was achieved despite difficult trading conditions and reflected the benefits of rationalisation and investment.

"We saw 1986 as a very tough year," said Mr David Abell, Suter's chairman. "But most of our businesses produced substantial increases in profits. In 1987 many of our markets should be very buoyant. The company is in a superb shape and is ready to expand again."

Although Suter is eager to embark upon further acquisitions it envisaged a series of relatively modest deals involving "add-on" companies to complement its existing activities, rather than mounting major bids.

Light engineering emerged as one of the most successful divisions in 1986 fuelled by the growth of Seale and Clearplas. Turnover grew to £39.8m

(£28.9m) and profits to £3.8m (£1.9m). Distribution also fared well, with turnover of £42.4m (£34m) and profits to £3.7m (£2.2m).

Packaging suffered from adverse market conditions in the general steel and plate sectors. Its performance was boosted by the addition of Willmott's, however, boosting turnover to £27.2m (£25.8m) and profits to £200,000 (£500,000). This division's prospects had improved after a stringent rationalisation programme.

Specialist engineering suffered from the weak US dollar and from investment in new plant and for a large contract. Turnover rose to £17.7m (£15.4m) but profits fell to £1.6m (£1.7m).

Related companies produced profits of £1.5m (£1.2m) and corporate activities £4m (£1.9m). Discontinued operations produced a loss of £400,000 (profit of £100,000) on turnover of £7.5m (£5.2m).

Taxation deducted £4.2m (£3.3m). Costs involved in the closures and disposals were estimated at £1.4m, and minorities took £237,000 (£268,000).

Attributable profit was £3.67m (£5.51m) and earnings per share stood at 14.7p (15.7p).

The extraordinary charge of £1.9m is a full provision for the 1987 costs of restructuring the group.

Directors said the group had emerged from a difficult period in a strong position. They are recommending an increased final dividend of 5.5p per share, making 8p, against last year's total of 7.45p.

comment

After all the bad news from electronics companies recently, the market was able to take these figures fairly stoically pushing the share price down only 3p to 270p. The biggest problem spot was Bepi Circuits, which swung into a £750,000 loss from the equivalent level of profits but the whole interconnection technology (printed circuit boards) took a nasty knock. However, Cambridge has dug its heels in and rationalised its cost base and lost elimination alone—at Bepi and at Elec-Trol—should add a further £1.1m to pre-tax profits this year. The underlying trend of the statement, and the dividend increase, were fairly bullish indicating that the fourth quarter increase in demand has been continued in the current year. Given CIE's operational gearing to a sector recovery, £1.1m appears a reasonably achievable pre-tax profit target indicating that the shares are on a prospective p/e of 13.

Weak electronics leaves CEI profits behind

A WEAK electronics sector resulted in a slight fall in pre-tax profits from £10.38m to £10.12m for Cambridge Electronics Industries. But the final quarter's recovery in demand enabled directors to recommend an increased final dividend of 5.8p.

The company announced a large-scale restructuring of the group which will involve the creation of divisions, the elimination of some products and manufacturing units, and cuts in middle management.

The continuing recession in the electronics industry has hit Cambridge's profits since 1985, when it reported an 11.4 per cent downturn to £10.63m. Group turnover fell slightly from £135.65m to £132.4m. The interconnection technology and electronic components divisions were affected by the downturn in the communications, computer and defence industries in Europe and the US.

The former's profits fell from £4.47m in 1985 to £2.48m, but electronic components boosted profits from £1.37m to £2.47m, with losses in its US subsidiary, Elec-Trol, more than halved despite lower turnover.

A short-term dip in the sales of CI (Polymers) caused a fall in the sales of specialist companies from £2.7m to £2.6m.

But higher sales came from defence and instrumentation companies and profits rose from £2.08m to £3.28m.

Interest charges rose from £354,000 to £710,000. Tax was slightly higher at £4.25m

Sunleigh surges to £621,000

Restated figures from Sunleigh Electronics showed that in 1986 the group lifted its turnover from £3.33m to £5.63m and its pre-tax profit from £251,000 to £621,000.

After the resumption of dividends at the interim stage, the final is 0.25p for a net total of £375p.

Mr Tony Merryweather, chairman, said he was confident of sustaining the growth

in the current year as management accounts indicated that the year had started ahead of budgets.

The acquisition of Stanelco Products was completed in December and the restructuring of overheads completed a month ahead of schedule.

After tax £115,000 (£83,000) the net profit was £506,000 (£169,000) for earnings of 1.63p (0.57p) per share.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
BSR	2.1**	June 3	1.55	2.7	2.4
Cambridge Electronic...	5.8	May 19	5.25	5	7.45
Camelina Int	17**	July 6	7	20	7
Eastlynne Pulp	2.25†	—	—	3	—
Mrs Fieldst	0.85	—	1.7	2	3.3
James Fisher	—	—	2.8	nil	2.8
Guernsey Atlantic	8	—	4	—	17.5
Hawth Whiting	6	—	—	—	—
MAI Int	1.25	June 12	0.75	1.75†	0.75
Meggett	1.9†	May 29	1.6*	2.63	2.23*
Metalex	1	April 25	—	—	3
Pacific Select	7†	May 29	5.75	12	10
Pearson	0.8	April 27	0.7	—	2.2
Renishaw	—	March 16	nil	1	nil
Rockware	1.5	—	—	—	0.5
Savage Group	0.25†	—	nil	0.38	nil
Sunleigh Elect	2.8	June 15	2.23*	4.2	3.5
Suter	5.5	May 8	4.5	7.5	6.2
TDG	8.5††	July 1	1.54	3.2	2.64
Unidare	1.56†	—	—	—	—
WPP Group	—	—	—	—	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ US\$ stock. †† Unquoted stock. † US cents. † For 14 months. ** Gross. †† Irish currency.

Edinburgh Financial Trust set to provide financial services

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

SHAREHOLDERS IN Edinburgh Financial Trust, a small Scottish investment trust, yesterday unanimously approved their board's proposal that it should give up its investment trust status and concentrate instead on providing financial services.

The vote, at an extraordinary general meeting in Edinburgh, marked the defeat of plans by a consortium headed by Mr Bruce Judge, the New Zealand entrepreneur, to take control of EFT, increase its capital and use it to acquire strategic stakes in public companies.

Shareholders also approved the purchase by EFT of the remaining 70 per cent stake in First Northern Finance Corporation, a financial services company based in Edinburgh which was set up by Mr Hamish Grossart and Mr Hugh Barry, formerly directors of the Edinburgh merchant bank, Noble Grossart. Last December EFT bought 80 per cent of FNFC, with an option to buy the rest.

That purchase led to the decision by the board of EFT to give up its status as an investment trust, liquidate the bulk of its portfolio and create an investment banking and corporate finance division around FNFC.

But the proposed change of strategy for EFT was opposed by Mr Judge's consortium, which includes Checkpoint Hong Kong, Lord Tanlaw's 1985 settlement, and Waverley Asset Management, a fund management group based in Edinburgh.

Lord Sanderson of Bowden, chairman of EFT, told shareholders in a circular that his board opposed the consortium's plan, believing that the strategy of acquiring strategic stakes was a high risk one for which Waverley—which would have taken over running EFT—did not appear to have the relevant skills and experience.

The EFT board's own proposals were launched with the backing of the trust's major shareholders, including Equitable Life and Capita Investments, which meant that it had more than 32 per cent of the equity in its favour. Yesterday Lord Sanderson said that he had proxies for 12m to 13m shares in favour of the board's plan.

A set of resolutions put forward by Judge Corporation, Mr Judge's company, was withdrawn and not put to a vote. It asked shareholders to replace EFT's directors with a group led by Mr William McLucas, managing director of Waverley Assets.

SUTER

Summary of Results

Year ended 31 December	1986	1985	
	£m	£m	
Turnover	134.4	110.0	+22%
Profit before taxation	14.9	9.5	+57%
Profit after taxation	10.7	6.2	+73%
Earnings per share (fully diluted)	14.7p	11.6p	+27%
Dividends per Ordinary share	4.2p	4.2p	+20%†

The Chairman, Mr. David Abell, reports:

- ★ Excluding impact of UKO International acquisition, Group pre-tax profit increased by 38% in generally difficult market conditions. Improvement in the longer established Suter businesses is even more marked.
- ★ Dividends represent 20% increase following 1-for-5 scrip issue in June 1986. Further 1-for-5 scrip issue proposed for May 1987.
- ★ Encouraging start to 1987, which is expected to be another year of considerable success.

Copies of the full Annual Report & Accounts 1986, which will be posted to shareholders not later than 27 April 1987, may be obtained from The Secretary, Suter p.l.c., The Priory, Market Place, Grantham, Lincs. NG31 6LJ.

DISTRIBUTION · LIGHT ENGINEERING · PACKAGING · SPECIALIST ENGINEERING



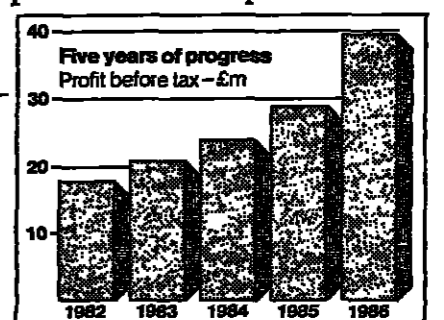
From one year to the next, it's our shareholders' favourite byte

In our world of distribution, warehousing, road haulage and engineering, information technology is now the key to business efficiency. And to profitability.

In 1986, it helped the many companies which make up the Transport Development Group achieve record profits of £39.4 million.

As a glance at the chart here shows, these companies—based in the UK, Europe, US and Australia—have an impressive record of growth in recent years.

This growth, largely organic, has been the driving



SUMMARY OF RESULTS Year to 31 December 1986

	1986	1985	% change
	£m	£m	
Turnover	543.2	481.5	+12.8%
Profit before tax	39.4	29.7	+32.7%
Earnings per share	17.2p	12.4p	+38.6%
Dividends per share	7.5p	6.2p	+21.0%
Return on capital employed	19.8%	16.1%	+23.0%

force behind an increase in earnings per share from 7.9p in 1982 to 17.2p in 1986.

At the same time, by operating in a number of well-chosen geographic areas and carefully selected market sectors, TDG has ensured that investment risks are spread.

No wonder our shareholders like what they see on the end of the fork.



For more information about the Group, and for a copy of the Annual Report 1986, please write to Transport Development Group PLC, Windsor House, 50 Victoria Street, London SW1H 0NR.

Transport Development Group PLC

£200,000,000 Floating Rate Notes 1996

Interest Rate	9.9375% per annum
Interest Period	16th March 1987 to 16th June 1987
Interest Amount per £10,000 Note due 16th June 1987	£ 250.48
Interest Amount per £100,000 Note due 16th June 1987	£2504.79

Baring Brothers & Co., Limited
Agent Bank

TDG slows in second half

It's what the Chancellor doesn't say that's important

To understand the full implications of the Budget you need to read between the lines. Hoare Govett's clients will have their budget analysis on their desks by 9am Wednesday 18th March.

This analysis will be produced by Hoare Govett's UK Economics and Research teams led by:

Roger Nightingale
Bob Cowell
Richard Jeffrey

Budget analysis is also available on TOPIC (18700) and PRESTEL (88170300).

**HOARE
GOVETT**
Members of the Stock Exchange

Hoare Govett Limited
4 Broadgate,
London EC2M 7LE

London · New York · Tokyo · Hong Kong · Singapore · Melbourne · Auckland · Channel Islands

Financial Times Tuesday March 17 1987

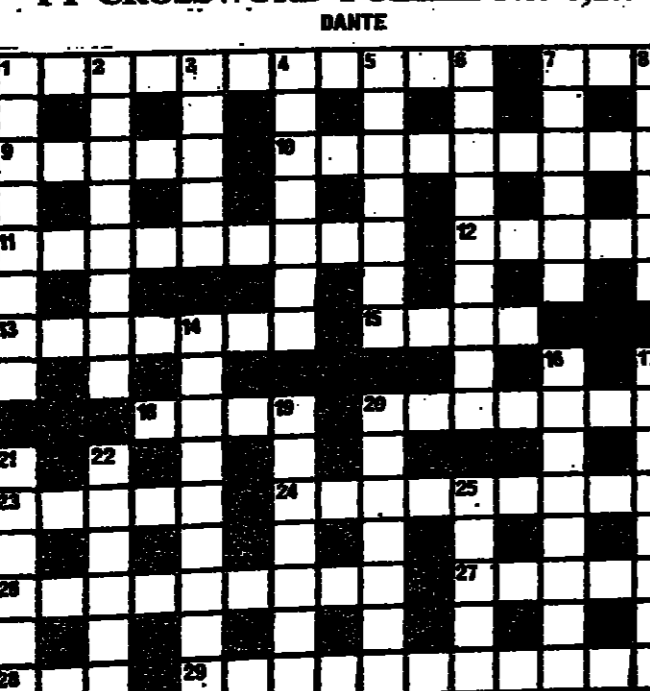
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UNIT TRUSTS

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FT UNIT TRUST INFORMATION SERVICE

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FT CROSSWORD PUZZLE No. 6,279



- ACROSS**
- 1 Dictatorial soldiers accepted by the cloth (11)
 - 2 Prize piece of china? (3)
 - 3 He'll give support in return (5)
 - 4 Soldiers in the van are torn to pieces in open (5, 4)
 - 5 Around mid-January Charman goes into the country (9)
 - 6 Sort of marbles 9 across played with (5)
 - 7 No doubt many yarns have been spun about it (7)
 - 8 Creatures having small feet with a point at each end (4)
 - 9 She has them shortened to a degree (4)
 - 10 Hatch out before morning in Kentish town (7)
 - 11 Numberless Visa account for a patriarch (3)
 - 12 Antidote for those addicted to lying (3)
 - 13 Start to play (7, 2)
 - 14 Excellent, if not fast, way to surpass others (5)
 - 15 Not happy with some people's advice (3)
 - 16 Band-leader waving at customers (5-6)
- DOWN**
- 1 Great little of (8)
 - 2 Make frolic on the carriage (8)
 - 3 Airy fairy (5)

Financial Times Tuesday March 17 1987

INSURANCE, OVERSEAS & MONEY FUNDS

Table with multiple columns listing various insurance and overseas funds, including names like 'The Overseas Fund', 'The Overseas Fund', and 'The Overseas Fund'.

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MANAGEMENT SERVICES

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NOTES

Notes section containing various financial details and commentary.

TRADITIONAL OPTIONS

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NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table with multiple columns: 12 Month, High, Low, Stock, Div. Yld, P/E, 100s High, Low, Open, Close, Change. Contains NYSE Composite Closing Prices for various stocks.

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OVER-THE-COUNTER Nasdaq national market, closing prices

Table with multiple columns: 12 Month, High, Low, Stock, Div. Yld, P/E, 100s High, Low, Open, Close, Change. Contains Over-the-Counter (Nasdaq) Closing Prices for various stocks.

Continued on Page 47

Continued on Page 47

